

CONCEPTUAL PROVISIONS OF THE THEORY OF STAKEHOLDERS IN THE SYSTEM OF ECONOMIC INTERESTS OF AN AIRPORT

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Abstract. *The article is devoted to theoretical principles of conceptual apparatus of the concept of stakeholders: case study of an airport. There have been proposed the classification of airport stakeholders and their expectations in the process of interaction. Also a model of bilateral relations with major airport stakeholders is presented.*

Keywords: airport, economic interests, interaction, management, stakeholders.

1. Introduction

Development of the economic system is characterized by processes of globalization and internationalization of economy, informatization of business, increased competition between aviation enterprises, increase of rate of technological development, legislative changes in the field of business conduct. Airports are of significant economic importance to regional businesses and to the quality of life of residents by providing access to safe, secure, rapid, affordable air transportation services.

2. Problem statement

An airport is a complicated system characterized by a great number of parameters changing with time and functioning with the participation of people who make decisions based on certain information taking into account many requirements and limitations.

Besides, processes taking place in the system are continuously exposed to a countless number of accidental, mostly hardly foreseen, conflicts – both external (change of airport performance indicators, weather conditions etc.) and internal (late handling of flights by the airport services, failure of equipment, delay in fueling, spare parts supply etc.).

An airport operates in cooperation with numerous groups and individuals. On assessment of such a cooperation, there arises a problem of identification of groups with certain economic interests and their further relations with the airport, definition of a group priority.

Thus, there arises a necessity in research of characteristics of these relations and of presenting of information on directions and methods of managing them.

3. Analysis of main studies and publications

General provisions of functioning and development of aviation enterprises are dealt with in scientific papers of the following foreign and domestic scientists: V. Afanasiev (1991), V. Ashford (1990), V. Zaporozhets (2002), Yu. Kulaiev (2010).

A solution to an issue of aviation enterprises management by optimization of current processes, taking into account stakeholders' interests, was covered in terms of individual researches of the theory of stakeholders, economic interests and logistics. Particularly, works related to the concept of stakeholders are prepared by such scientists as: Yu. Blahov (2003), Bradley R. Agle (1999), Ronald K. Mitchell (1999), Jeffrey A. Sonnenfeld (1999), M.E. Clarkson (1995), B. Cornell (1987), A. Shapiro (1987), F. Edvans (2004), R.E. Freeman (1984), J. Frooman (1999), M.A. Hitt (1995), R.D. Ireland (1995), R.E. Hoskisson (1995), T.M. Jones (1999), A.C. Wicks (1999). However, an issue of the concept of stakeholders of an airport and a model of their interrelations with definition of the priority of consequence is still poorly explored.

4. Unsolved parts of the general problem

An issue of generalizing of classification of stakeholders remains timely, this classification will allow to group them according to internal and external circles of influence and interest. It should be noted that such classification will allow simulating a system of interrelation of the airport with stakeholders.

The object matter of the work is outlining of provisions of the concept of stakeholders of the airport activity, generalizing of classification of stakeholders and formation of a model of interrelations between all the participants.

5. Provisions of the concept “stakeholder”

The authors defined in the research process that the study of relations between stakeholders may be considered in terms of the concept of stakeholders or stakeholder theory.

The Concept of stakeholders or stakeholder theory relates to differentiation and analysis of subjects interacting with the airport who either depend on the airport activity results or may influence these results. According to this concept an airport receives necessary resources or services from external environment, because its activity is designed to satisfy enquiries and needs of stakeholders.

To our opinion, the offered approach allows to set fundamental goals of an airport, as well as define conditions of its survival and success. Thus, the quality of the airport strategy may be considered with regard to its ability to satisfy interests (requirements) of stakeholders, and the most important component of strategic management turns out to be management of relations with stakeholders.

Modern conditions of airport operations present severe requirements to management, among which – more complete satisfaction of requirements of all the parties interested in efficient activity of the airport, in particular: re-equipped runways due to modern aircrafts; ground infrastructure development; improvement of methods of passenger and cargo traffic servicing; introduction of modern informational technologies etc.

One of the approaches offered in the article consists on considering an airport as a complex system in the form of the whole complex of groups and individuals who comprise the groups, and who are in constant interaction with each other. Relations between them arise and are maintained based on satisfaction of the group and personal interests.

M. Hitt (1995, p. 195–218) describes such perspective of organizational processes “as a school of authority”, but the most complete study is delivered within the framework of the stakeholder theory.

R. Freeman (1984) introduces a new concept – stakeholder, defines it and offers an original model of a company for consideration.

The idea offered by R. Freeman (1984) on presentation of the company and its environment (external and internal) as a set of parties interested in its activity, the interests and requirements of which should be taken into account and be satisfied by managers as official representatives of the company,

got wide support in academic circles. Thereafter the interest to this topic was intensified, and it was expressed through increased number of publications (Blahov 2003, p. 151–159; Bradley et al. 1999; Clarkson 1995; Cornell, Shapiro 1987; Edvans, Bishop 2004; Freeman 1984; Frooman 1999; Hitt et al. 1995; Jones, Wicks 1999; Raisberg et al. 1999).

For reasonable assessment of the current state of the “stakeholder concept”, it is necessary to get familiarized with its main provisions. As far as terminology is concerned, materials related to this topic only start appearing in domestic publications, and so there appears certain unconformity in definitions being used.

While studying the “stakeholder concept” the paper of T. Jones and A. Wicks (1999, p. 207) attracts attention: the authors describe it as follows:

- an enterprise (firm) has relations with larger number of groups and individuals (stakeholders) who are its environment (external and internal), and who influence decisions made by an enterprise or may be influenced by them;
- the theory deals with the nature of such relations: processes (attendant relations) and results (resources change) for a firm and its stakeholders;
- interests of all stakeholders are potentially entitled to be taken into account and satisfied (the authors treat this clause more strictly, according to the principle of a standard position).

Based on scrutinizing of views of the American economist R. Freeman (1984) on the “stakeholder concept”, linguistic analysis of the definition “stakeholder” introduced by him, as well as on scientific papers of researches (Bradley et al. 1999; Clarkson 1995; Cornell, Shapiro 1987; Frooman 1999; Jones, Wicks 1999), an alternative interpretation of the concept “interested parties” was offered.

In Table 1 generalized interpretations of concepts and sources are presented. Thus, it was offered to consider the concept of “interested parties” in terms of research of relations between the subjects interested in efficient performance of an airport, with the purpose of their own interests satisfaction.

Thus, from the point of view of any party, efficient performance of an airport is viewed as a complex of agreed interests and relations of all the parties. In general, efficient activity of an airport is not the purpose of such an approach (although it differentiates business processes related to it and their results), but is focused exclusively on interested parties. At that, any party may become targeted.

Table 1. Interpretation of the concept stakeholder

Term	Definition	Source
Stakeholder	Any group or individual who may influence achievement of an organization purposes, or may be influenced by it	R. Freeman (1984, p. 46)
Stakeholder	An individual or a group who may influence achievement of strategic results of an enterprise or may be influenced by achievement by an enterprise of strategic results, besides, these individuals or groups have requirements to a company activity strengthened by force	M. Hitt (1995), R. Ireland(1995), R. Hoskisson (1995, p. 20), T. Jones (1999), A. Wicks (1999, p. 207)
Influence group	Subset of groups and individuals included in the "stakeholder concept". Those stakeholders who can confirm their interest by force, that is have real leverage over an enterprise, belong to influence group	M. Hitt (1995), R. Ireland (1995), R. Hoskisson (1995)
Interests group	Association of people who, based on certain interests or needs, make demands to an interested object as a whole, with the purpose of maintaining or improving their positions, achieving certain goals	B.A. Raisberg (1999), B.Sh. Lozovskiy (1999), O.B. Starodubrovskaya (1999)
Interested parties	Introduction of a firm and its environment (external and internal) as a set of parties interested in its activity, interests and requirements of which should be taken into account and satisfied by managers as official representatives of the firm	R. Freeman (1984)
Interested parties of an airport activity	A total of all economic entities with common interests, and who are interested in efficient performance of an airport, with the purpose of achieving own benefits	Author

As was already mentioned, any group or individual interested in an airport activity are surrounded by many other groups and individuals whose interests are also related to the airport activity. Although, theoretically, an airport has to take into account interests of all the stakeholders, but in practice it is impossible to do so.

Accordingly, to the author's opinion, it is unlikely that one party agreed its interests and actions with other parties, and at the same time satisfied all its needs.

The most plausible scenario is a selection, among all individuals, of those who are really important and whose interests are worth taking into account.

Considering the concept issue in terms of relations of stakeholders, it is necessary, first of all, to outline spheres of its research, which is represented by the diagram on Fig. 1.

The first sphere of research of the stakeholder concept is identification of stakeholders and their significance.

Another sphere is focused on the identification of stakeholders' interests (aviation company, cargo

clientele, handling company, catering company, passengers and others).

The third lies in maximum satisfaction of interests. Applying the principles of the stakeholder concept in case study of the airport, the author could demonstrate the discrepancies between the relations "airport – customer" and relations "airport – stakeholder", this is presented on Figs 2 and 3.

In the first case the activity of an airport consists of offering only existing services, without regarding modern market requirements (introduction of new informational technologies, simplification of formalities at the airports, improvement of service quality, providing of additional services etc.).

In the second case the offered quality of services corresponds to the expected results, that is requirements of stakeholders are taken into account, mutual satisfaction of interests is achieved in order to get maximum benefits from the cooperation, which is in line with the definition of the "stakeholder" concept.

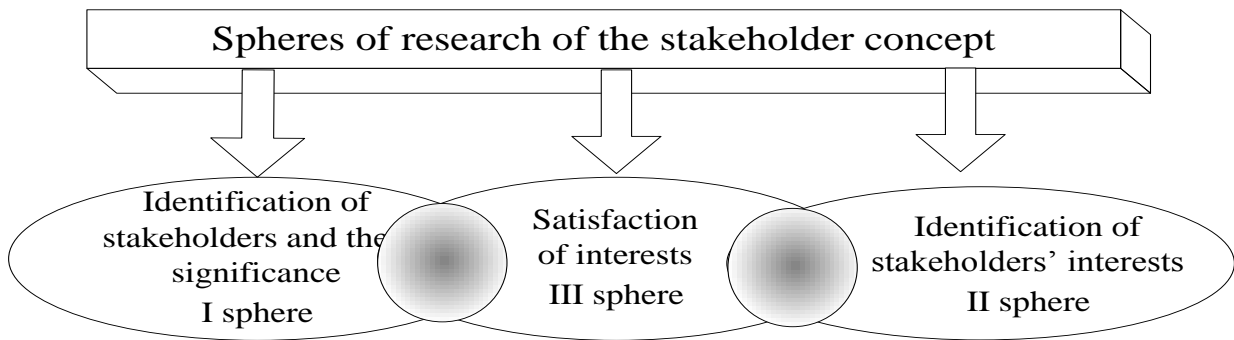


Fig. 1. Spheres of research of the stakeholder concept



Fig. 2. Relations “Airport - customer”

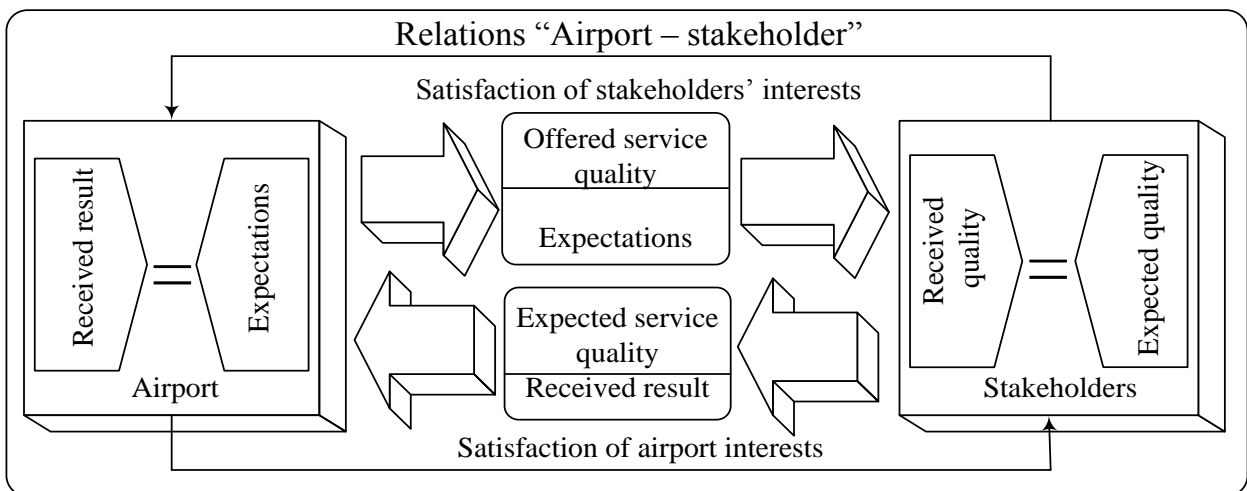


Fig. 3. Relations “Airport – stakeholder”

6. Classification of stakeholders of an airport activity

To define the significance of stakeholders it is helpful to study current approaches to classification.

To our opinion, the most informative and reasonable is classification of stakeholders as internal and external circle of influence or interest. This classification allows modeling of the whole system of interrelation of an airport with stakeholders, as presented on Fig. 4.

Interrelations between an airport and various stakeholders may be considered as contributions of stakeholders in exchange of benefits provided to them by an airport.

From the worded definition of the “stakeholder” concept it becomes clear that interrelations of an airport with stakeholders may be viewed in two ways, that is, the variant, when it is an airport that makes contributions and in return gets some benefits, is possible.

That is, contribution are of mutual character, and it makes exchange between an airport and a stakeholder mutual. The responsibility taken by the parties is also mutual.

Interrelation of economic interests of stakeholders and an airport through the listed factors is introduced in Table 2.

Interrelations with each participant are both cost-based and beneficial for an airport (its owners).

In his turn, the author offered the following model of identification of significance of stakeholders of an airport, which combines three main characteristics of an airport activity: authority, image and commerce.

7. Identification of significance of stakeholders of an airport activity

Each established group creates its own influence group depending on available components of attributes. Thus, the most influential is group I, group VII has less influence. The model of identification of significance of stakeholders of an airport activity is presented in diagram form on Fig. 5.

It should be noted that the arrangement order of the received classes may vary depending on the circumstances.

However, the offered approach allows putting stakeholders in order and finding some regularities. Examples of the established groups may be: state (I); international organizations such as IATA, ICAO, ACI and others (II); owners or shareholders (III); investors, airport business operators (IV); airport management (V); organizations of various kind (VI); aviation companies, suppliers of POL, handling companies and others (VII).

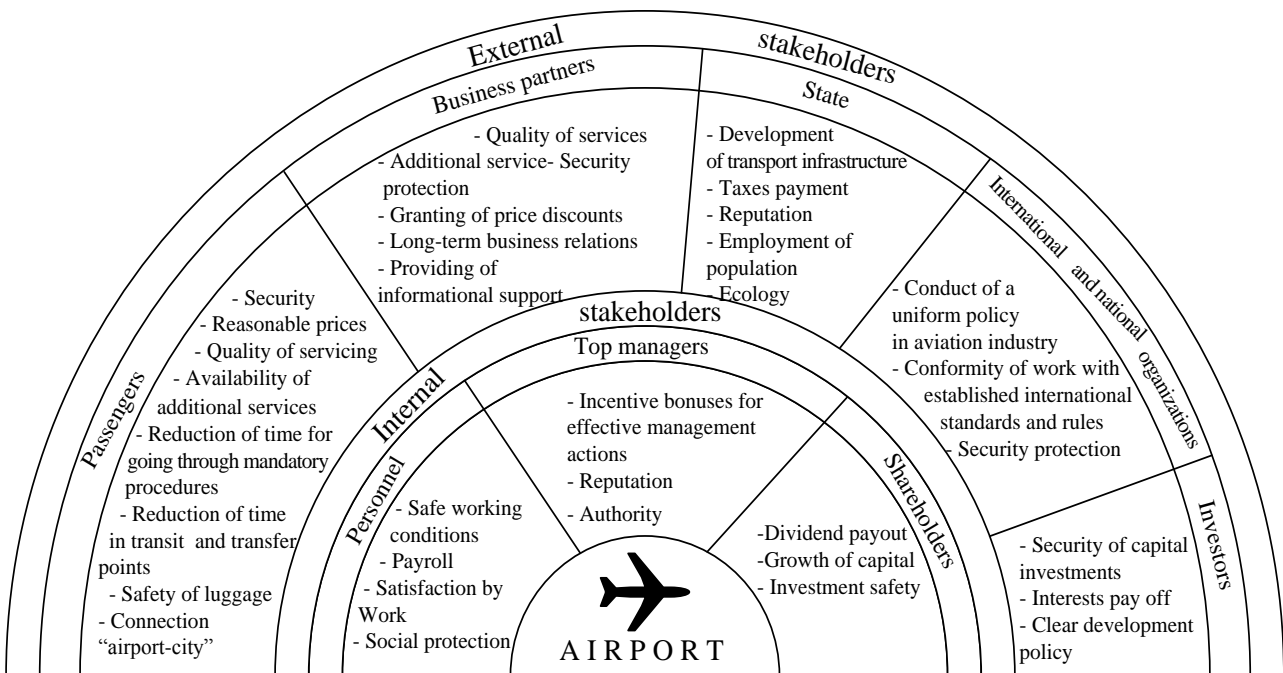
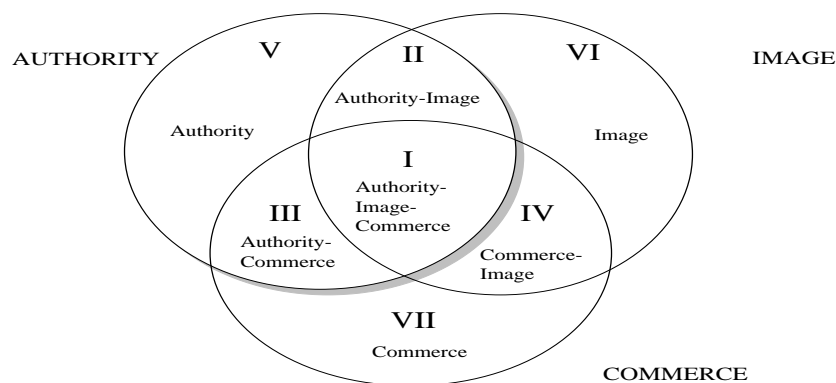


Fig. 4. Classification of stakeholders of an airport activity and their expectations in the cooperation process

Table 2. Interrelation of economic interests of stakeholders and an airport

Stakeholders category	Financial flows of an airport	
	Increase (financial flows incoming)	Reduction (payments)
Employees	Additional income due to increase of employees' productivity	Payroll, bonuses
Top managers	Additional income due to effective management	Current and one-time incentive pays for work results. Control over managers' activity
Handling, catering companies, suppliers of POL	Obtaining of price discounts, referral of payment, supply of higher quality products, which ensures increase of sales revenue	Enforced support of liquidity on account of reduction of revenue and profit (supplier's solvency and its ability to ensure prompt fulfillment of its debt obligations)
Shareholders	Revenue from sale of new emissions of shares	Dividend payout, redemption of shares, costs for internal audit and control
Investors	Debt capital income	Payment of interest on debt, restrictions of debt capital
Government authority	Additional income due to legislative support of the business, provided guarantees	Payment of taxes, charges, dues
Aviation companies, passengers, cargo clientele	Additional income due to sales increase	Granting of price discounts, referral of payment, quality improvement costs, service expansion, security protection
Competitors	-	Reduction of monetary income of an airport as a result of competitors' activity, costs for competitive advantages assurance

**Fig. 5.** The model of identification of significance of stakeholders of an airport activity

8. Conclusions

It should be noted that management of an airport based on the stakeholder concept consists, in its turn, of identification of services consumers, analysis of their influence and significance for the airport activity.

The reviewed approaches give grounds for a statement that the main driving force of interrelation are just economic interests, since they define participation of stakeholders in one activity or another.

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Received 20 February 2013.

О.К. Катерна. Концептуальні положення теорії зацікавлених сторін у системі економічних інтересів аеропорту

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Розглянуто теоретичні засади понятійного апарату концепції зацікавлених сторін на прикладі аеропорту. Запропоновано класифікацію зацікавлених сторін діяльності аеропорту та їх очікування в процесі взаємодії. Подано модель двосторонніх взаємовідносин аеропорту з основними зацікавленими сторонами.

Ключові слова: аеропорт, взаємодія, зацікавлені сторони, економічні інтереси, управління.

О.К. Катерная. Концептуальные положения теории заинтересованных сторон в системе экономических интересов аэропорта

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Рассмотрены теоретические основы понятийного аппарата концепции заинтересованных сторон на примере аэропорта. Предложена классификация заинтересованных сторон деятельности аэропорта и их ожидания в процессе взаимодействия. Представлена модель двусторонних взаимоотношений аэропорта с основными заинтересованными сторонами.

Ключевые слова: аэропорт, взаимодействие, заинтересованные стороны, управление, экономические интересы.

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