Journal of Informatics Education and Research
ISSN: 1526-4726
Vol 4 Issue 3 (2024)

Building Wings to Sustain: Case Study on Operational Strategies and Challenges in Airport Management

Vinayak Vishwakarma[1*], Yesha Mehta[2], Shalini Khandelwal[3], Satya Swarup Ranjan[4]
[1*]Assistant Professor, Jaipuria Institute of Management Indore, vinayakvishwakarma@gmail.com
[2]Associate professor, Thakur Institute of Management Studies & Research, yesha.m@gmail.com
[3]Associate Dean, Faculty and Area Chair - HR & OB, ICFAI Business School, Gurgaon, shalinik@ibsindia.org
[4] Prof. Satya Swarup Ranjan Bharati Vidyapeeth's Institute of Management Studies and Research, Navi Mumbai,ssranjan.bvimsr@gmail.com

***Corresponding Author:** Dr Vinayak Vishwakarma
*Assistant Professor, Jaipuria Institute of Management Indore, vinayakvishwakarma@gmail.com

Introduction to case

"Corporate growth is incomplete without goodness" is the mantra for Global Infrastructure Solutions (GIS). GIS is known for its commitment to building assets of national relevance, transforming lives through self-reliance, and infusing sustainability into national assets. The company balances growth with goodness as its core vision.

GIS is a diverse conglomerate with a significant market presence across various sectors. It has built a portfolio of world-class transportation and utility infrastructure with a nationwide footprint. Based in Western Capital, the company has positioned itself as a market leader in its transport logistics and energy utility portfolio, concentrating on large-scale infrastructure development with operations and maintenance processes benchmarked to global norms. GIS credits its success to its basic idea of 'Nation Building,' guided by 'Growth with Goodness,' a principle for long-term growth. GIS is dedicated to boosting its ESG (environmental, social, and governance) impact by realigning its operations with a focus on climate protection and expanding community engagement through its CSR program, which is built on sustainability, diversity, and shared values.

Rock the Boat: Is the Country Ready for Privatization?

Privatization is a synonym for deregulation, where private entities are assigned the implementation of government programs, policies, or performance previously under state-run agencies. The privatization process began in the early 1990s, with the sale of minority stakes in some public sector enterprises. Another major shift in disinvestment policy occurred in the mid-2000s when it was decided that the government may dilute its equity to raise resources for social needs. Developing countries, including this one, have undergone significant transformations, moving towards market-based economies due to globalization.

The key elements of this reform package included adopting a new industrial policy, trade reforms, foreign direct investment, and public sector reform. The New Industrial Policy contained several measures for the public sector, including selling loss-making units to the private sector, inviting private participation, and strategic sales. These reforms included privatization to varying degrees, with a unique approach in this country that considered the priorities of a mixed economy and the operational aspects of public sector enterprises.

Privatization of Airports

The government is promoting privatization to make the country a global leader. It initiated the airport privatization process by starting with Metro City Airport. The national airport authority began the privatization process for several airports, using an approach that clubs a profitable airport with a loss-making one for the sale process. The national airport authority has already approved GIS's proposal to take over Metro City Airport.

Rough Road Ahead

A few years ago, Global Infrastructure Solutions (GIS) was awarded the rights to operate, manage, and develop the airport under the public-private partnership (PPP) model. The airport would be handed over to the corporation for 50 years at the highest bid of a specified amount per passenger, according to the agreement. For each domestic and international passenger processed at the airport, the corporation will pay a per-passenger fee (PPF) to the national airport authority. The company took over the airport to bring efficiency, expertise, enterprise, and professionalism and to harness the needed investment in the public sector.

Concerns were raised by the national economic advisory body and other planning commissions over the bidding process, eligibility criteria, and deviations from guidelines for PPP projects. Questions were also raised by the airport employees' union and others about the haste in approving the privatization of airports. Guidelines for PPP projects state that 'in-principle' approval should be granted within three weeks from submission of the proposal, and another three weeks after

submission of final documents for 'final approval.' However, in this case, 'in-principle' and 'final approval' were given simultaneously.

Another challenge GIS faced was a legal battle with the state government after the latter opposed the airport's privatization, calling it 'not in the public interest.' However, the regional court dismissed the state government's contention. Critics alleged favouritism in offering all airports to a single private entity, arguing that changes in norms enabled GIS to win multiple bids.

Recently, GIS increased charges at Metro City Airport, raising concerns among airline bodies about the lack of noticeable upgrades in service quality despite the hike in charges. Although privatization has increased efficiency, it has also led to higher costs, which have been contested by stakeholders.

Though GIS is highly diversified and has a strong presence in various business-to-business sectors, it is relatively new to developing expertise in business-to-consumer operations like airport management.

Waves of Crisis

GIS decided to operate under a hybrid business model comprising aero and non-aero revenues, with the latter aimed at non-passenger airport visitors. However, the pandemic-induced lockdown widely hindered GIS's plans for airport expansion. The company faced significant human resource challenges, focusing on improving work experience, professionalism, income, and training for its employees.

The invitation to join GIS was sent to airport employees when the PPP model was introduced, but many hesitated due to fears about job security and loss of benefits like pensions and medical coverage. GIS closely observed employees, understood their challenges, and tried to build rapport with key stakeholders to align the system, although issues like salary payments and loan repayments for working capital persisted.

Harnessing Growth with Sustainability

GIS's vision positions it as a leader in renewable energy, focusing on creating an environment where stakeholders can contribute to national sustainability goals. The company operates large renewable energy projects and is on track to become a global leader in this sector by the end of the decade. The group's vision includes redefining energy production and consumption while contributing to national infrastructure through sustainable practices. GIS's pioneering efforts in renewable energy have earned it international recognition, including certifications for reducing CO2 emissions.

Connecting the Dots: Realm of Corporate Leadership

The energy market in the country is undergoing massive disruptions, creating significant value and opportunities for innovation. The founder of GIS is seen as a global thought leader in clean energy and entrepreneurship. According to him, new disruptive energy architectures are emerging, with the potential for the country to lead the world in producing low-cost, sustainable energy.

Driven by the philosophy of nation-building, GIS plays a significant role in contributing to the country's climate goals. Despite being a relatively new player in renewables, the company is on track to become one of the world's largest in the sector by mid-decade. GIS is also developing sustainable solutions for eroding coastlines, including a first-of-its-kind Bio-Shield that tackles climate risks while generating a self-sustained ecosystem.

Future

The digital transformation of airports is accelerating, driven by digitization, connectivity, and big data trends. Self-service technologies will complement traditional customer care, particularly in airports, by prioritizing efficiency over passenger experience. Nation-building through infrastructure development includes creating sustainable communities around airports, and balancing social and ecological factors for long-term sustainability. GIS's focus on renewable energy and community development positions it as a leader in sustainable infrastructure.

Teaching notes

Discussion Questions

What are the core strengths of Global Infrastructure Solutions (GIS) that contribute to its value proposition in airport operations?

1. Identify the major challenges faced by GIS during the initial years of airport operations. How did the company address these challenges, and what additional strategies could optimize operational efficiency?
2. Considering the airport industry's complex operations and regulatory requirements, evaluate the long-term profitability prospects for GIS at Metro City Airport.
3. Analyse the risks associated with airport operations, particularly during crises like the COVID-19 pandemic. How can these risks be effectively managed to ensure business continuity?
4. How has GIS's alignment with its long-term vision and commitment to Green Infrastructure contributed to nation-building and sustainable development?

Theories Used in Class

SERVQUAL Model (Service Quality)

Class Explanation: The SERVQUAL model was used to assess the service quality at GIS. Students evaluated the company's performance based on the five dimensions of service quality: tangibles, reliability, responsiveness, assurance, and empathy. The discussion focused on how privatization impacts these dimensions and what strategies GIS can implement to maintain high service standards.

Lean Operations (Operational Efficiency)

Class Explanation: Lean Operations principles were introduced to explore how GIS can enhance operational efficiency by reducing waste and streamlining processes. The class analysed specific methods, such as handling and flow management, to identify areas where lean techniques could improve efficiency and reduce costs.

Economic Theories of Privatization (Privatization)

Class Explanation: Economic theories of privatization were discussed to explain the rationale behind transferring public sector enterprises to private entities. The class examined how these theories apply to the privatization of GIS, particularly focusing on efficiency gains, cost reductions, and improved service delivery. Students also debated the potential downsides, such as the risk of monopolistic practices and increased service costs.

Principal-Agent Theory (PPP and Governance)

Class Explanation: The Principal-Agent Theory was used to analyse the relationship between the government (principal) and private operators like GIS (agent). The discussion focused on how misaligned incentives can lead to inefficiencies and the importance of clear contractual agreements and effective monitoring to ensure that the private operator acts in the public's best interest.

Enterprise Risk Management (ERM) Framework (Risk Management)

Class Explanation: The ERM framework was introduced to assess the various risks faced by GIS, particularly during the COVID-19 pandemic. Students discussed how the framework could be used to identify, prioritize, and mitigate operational, financial, and reputational risks. The class also explored how GIS could build resilience against future crises through robust risk management strategies.

Triple Bottom Line (TBL) (Sustainability and CSR)

Class Explanation: The Triple Bottom Line framework was used to evaluate GIS's performance in terms of social, environmental, and financial outcomes. Students analysed how GIS's sustainability initiatives, such as renewable energy usage and community development, align with the TBL approach. The class also discussed balancing these three aspects is crucial for long-term success and positive social impact.

SWOT and PESTLE Analysis (Strategic Management)

Class Explanation: SWOT and PESTLE analyses were applied to identify GIS's internal strengths and weaknesses and the industry's external opportunities and threats. Students were divided into groups to conduct these analyses, which helped them understand the strategic position of GIS and identify areas where the company could improve or capitalize on emerging trends.

Porter's Five Forces (Industry Analysis)

Class Explanation: Porter's Five Forces model examined the competitive environment in which GIS operates. The class analysed factors such as the bargaining power of suppliers and customers, the threat of new entrants, and the intensity of competitive rivalry. This helped students understand the industry dynamics and how GIS can strategically position itself to gain a competitive advantage.

Blue Ocean Strategy (Strategic Innovation)

Class Explanation: The Blue Ocean Strategy was discussed as a way for GIS to create uncontested market space and differentiate itself from competitors. Students brainstormed innovative ideas for non-core revenue generation, such as offering unique experiences and services, and explored how these could help GIS tap into new customer segments and reduce competition.

Stakeholder Theory (CSR and Governance)

Class Explanation: Stakeholder Theory was used to discuss how GIS can balance the interests of various stakeholders, including employees, customers, government bodies, and local communities. The class explored how GIS's CSR

initiatives, aligned with its overarching philosophy, could help build trust and strengthen relationships with key stakeholders, ultimately contributing to the company's long-term success.

These explanations provided students with a practical understanding of how theoretical concepts can be applied to real-world situations, using GIS as a case study to demonstrate the relevance and impact of these theories in the context of service operations, privatization, risk management, sustainability, and strategic management.

Acknowledgment: The case study is developed under the efforts of shri Vaishnava Vidyapeeth Vishwa Vidyalaya Indore,