

Critically Analyzing the Effectiveness of the Strategic Management Process and Competitive Strategies, a case of TAV Ankara Esenboga Airport, in Turkey

by

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DECLARATION

This work has not previously been accepted in substance for any degree and in not being concurrently submitted in candidature for any degree.

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STATEMENT 1

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ABSTRACT

In today's competitive business environment, it is important to define a strategy and apply it correctly to the organization. In this research, strategic management process provides a comprehensive analysis of defining the right strategy for the business with scanning environmental analysis and deciding competitive strategies.

Nowadays, strategic management process is significant for any organization because technology is developing rapidly, intense competition between companies and customer's demand always changing. In other words, strategic management is crucial for managers to survive in the sector.

In this study, T.A.V. Ankara Esenboga airport is selected as a case study for evaluating strategic management process and competitive strategies. Airport sector is different from any other sector in the world. Each airport has different strategy for maintaining its operations. Therefore airport sector is evaluated in this study in detail.

In this report, each step of strategic management processes is evaluated for the airport and competitive strategies are analysed and right strategy would analysed according to airport's nature.

Keywords: Strategic management process, competitive strategies, strategic directions, airport strategies

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CHAPTER 1

INTRODUCTION

Table 1. Structure of the Chapter 1

1.1	• Overview of the Study
1.2	• Research Aim and Objectives
1.3	• Background of the Study
1.4	• The value of the Research
1.5	• The Limitations of the Research

Source: Created by the author, 2011

Critically Analyzing the Effectiveness of the Strategic Management Process and Competitive Strategies, a case of TAV Ankara Esenboga Airport, in Turkey

1.1 Overview of the Study

The aim of this study is to develop an overview of the strategic management processes in each level starting from defining mission, vision, goals to strategy formulation and to determine the Porter's competitive strategies for TAV Ankara Esenboga airport. To

understand the strategies clearly for the airport, it is significant to define or review mission, vision and goals firstly. Then environmental analysis is essential to see the current situation. Finally defining the right strategy is vital to conclude the strategic management process. Porter's competitive strategy could be helpful in identifying a proper pathway for the airport to see its location in the industry and provide an opportunity to compete in the sector with other airports. In order to achieve the airport's strategic objectives, Ansoff's matrix is a guide for managers who make marketing- related decisions.

Strategic management is a planning tool which enables organizations to define their mission and vision and strategic way in the competitive industry (Flouris and Oswald, 2009). Strategic management is a guide for managers to integrate right strategy into business to achieve competitive advantage in its own industry. It is also helpful to decide an organization's future strategic decisions and how to apply it in business (Byars, 1987).

Strategic decisions about airport management require dynamic and effective planning. This is a complex process which includes every transaction from air field activities to commercial activities (Manataki and Zografos, 2009). Airport management needs professional strategic management that must be dynamic for both airline and passenger activities. Managing runways, taxiways, gates, passenger and freight terminals, ground transportation, catering, security are all separate activities in airports and each of these must be excellent (Graham, 2008).

In order to understand the airport's nature, its strategies, how strategic management can be integrated in the airport, how competitive strategies may be applied to the airport we must try to analyse in detail and give suitable recommendations for the airport.

For better understanding and analysis of the strategic management process and competitive strategies for the airport, this report is divided into chapters, which give information about literature review, research methodology, reporting of findings, discussion of findings, conclusion and recommendations.

Firstly, the "*Literature Review*" chapter is analysed in Chapter 2. It consists of two separate parts. The first part of the literature review chapter is about theoretical background starting with the definition of strategy and strategic management process. After that, strategic

management processes are explained in detail; defining mission, vision and goal, internal and external environment analysis definitions, strategy formulation explanations with corporate-level, business-level and functional-level strategies. In business level strategy, Porter's competitive strategies are explained in three ways; cost leadership, differentiation and focus. For supporting strategic decisions, Ansoff's matrix is explained in detail.

The second part of the literature review consists of strategic management and competitive strategies at airport industry. This part generally covers explanation of airport industry in general and also specific points of view. It includes airport-airline and airport-passenger relationships. Airport industry in the world and in Turkey is specifically explained in detail.

Chapter three includes *"Research Methodology"* that will be used to show how the methodology is designed in the study. It covers the process of gaining data with both primary and secondary research. Interviews are conducted to collect proper information from managers to integrate into the study. It also includes research methods, research approaches, research strategy, and data collection methods, sampling techniques, research ethics and limitations of the research.

The fourth chapter covers *"Reporting of Findings"*. In this chapter, analysis of interviews is conducted in detail. Interview questions are prepared to ask the airport's General Manager and General Manager Assistant in order to receive answers related to the study. Telephone interviews are performed due to time restrictions.

Chapter five consists of *"Discussion of Findings"* which is the analysis of the interview's answers and the literature review findings combined. Chapter 5 is of great importance in concluding this research. It integrates the answer of interviews with the strategic management process and competitive strategies.

The final chapter, *"Conclusion and Recommendations"* is the most significant part of the study. In this chapter, the research is concluded with evaluating the study from a broad point of view. Discussion of the findings part is also concluded with analyzing for the airport. Also, further recommendations are given to improve the airport's strategies.

1.2 Research Aim and Objectives

Aim:

The aim of this research is to evaluate the effectiveness of the strategic management process and the competitive strategies approach at TAV Ankara Esenboga Airport in Turkey.

Objectives:

- To draw a detailed analysis of the current literature review related with strategic management and competitive strategies approaches.
- To analyze strategic management processes in depth and their relations with competitive strategies for TAV Ankara Esenboga Airport
- To examine the implementation of competitive strategies for TAV Ankara Esenboga Airport
- To put forward innovative recommendations for TAV Ankara Esenboga Airport to gain competitive advantage

1.3 Background of the Study

One can clearly see that airports are an essential part of the air transportation system. They provide all infrastructures for airlines take off and landing and passenger transfer. Although airport operations seem to be only airline and passenger transfers, it is more than that. Airport services includes air traffic control, security, runway and taxiway control, passenger transactions within the terminal, commercial activities control such as duty free areas, shopping facilities, hotels, parking areas and so on (Graham, 2008).

Apart from playing a significant role in the air transport sector, airports have strategic importance on the regions which it operates. It affects the economic developments of the city. It increases people's lifestyles quality with providing fast solutions for their travelling (Jarach, 2005). Young and Wells (2011) highlights that airport also have a crucial affect on

environment which they are located that increase the quality of life of the resident living nearby.

Strategic management in airport industry differ from one airport to another (Delfman, 2005). Airports have grown in terms of traffic levels and it is affected by regional and national economies which they operate. Its characteristics also change regarding as the country's technological developments, country's position and people lifestyle.

Regarding of this issue, the case study of this research is T.A.V. Ankara Esenboga Airport in Turkey. Its strategies, strategic management processes and competitive strategies are analyzed in this study.

1.3.1 Research Background for TAV Holding

TAV Holding is a joint venture company which is established by TEPE and AKFEN Holdings for performing the airport construction, financing, passenger terminal management and consulting service. Today, TAV Airports Holding is operating different airports in Turkey such as Istanbul Ataturk Airport, Ankara Esenboga Airport, Izmir Adnan Menderes Airport and Antalya Gazipasa Airport. The company also operating Tbilisi and Batumi Airport in Georgia, Monastir/Tunisia Habib Bourguiba Airport, Enfidha-Hammamet International Airport, Skopje/Macedonia Alexander the Great International Airport and Ohrid/Macedonia St. Paul The Apostle Airport (TAV Official web site, 2011).

TAV Airports also has unique strategic model in the world that it participates in different areas from airports operations, such as duty free stores, food services, ground handling and management services, IT and security. All these different types of activities are utilized by TAV holding with some joint ventures; duty free stores by ATU, catering services by BTA, ground handling services by Havas, TGS (Turkish Ground Services), NHS (North Hub Services), Information systems by TAV IT, security by TAV private security services (TAV Annual Report, 2010). It brings all services together under the same management. This gives company more competitive in the dynamic environment.

Turkey's first aviation history starts with Istanbul Ataturk Airport and now it is operating as a hub airport in both domestic and international flights. Ataturk airport is Turkey's first busiest

airport that carrying more than 32 million passengers per year (General Directorate of State Airports Authority (DHMI) official web site, 2011). It is operating 216 different destinations for international flights and 38 different destinations for domestic flights. Nowadays Istanbul is considered as one of the most important metropolis of the world that it has more than 15 million people living and it is becoming a center of tourism and trade activities. Therefore, Istanbul Ataturk airport has the most critical airport for Turkey. TAV holding operates the Turkey's most significant airport since 2000 (TAV Annual Report, 2010).

1.3.1.1 TAV Ankara Esenboga Airport

TAV holding intended to improve its successful operations in airport sector and in 2006; they start to operate Ankara Esenboga Airport. It is located in the centre of Turkey, so that it has strategic importance in the way of protocol and diplomacy. Istanbul Ataturk Airport is a role model for Esenboga Airport to improve its operations as a successful hub airport.

TAV Ankara Esenboga airport which is established the system of build-operate-transfer with a cost 245 million \$ for 16 years, bound to and has restrictions that specified by DHMI. First, the company's estimated cost of investment was 176 million \$ at the beginning, but the new cost become 246 million \$. Now TAV Ankara Esenboga airport has 10.000.000 passenger capacity per year but the capacity could not be used efficiently and company gives also 1/3 from profit to government. In 2009, total passenger capacity was 6 million, but at the end of year 2010, it increases to 7,763 million passengers per year (DHMI Official web site, 2011).

According to Airport Council International (ACI) Europe, TAV Ankara Esenboga Airport wins the "Best Airport" reward in 2009. Today, it is operating 43 different destinations in international flights and 30 different destinations in domestic flights.

Because of the competition between airline companies and request to increase their revenue, tickets price are decreasing, therefore more customer start to prefer airline companies and air transportation. But this situation causes to create more customer profile and demographic. By investigation ways and study, TAV Esenboğa airport would be become an airport as more preferred airport by airline companies, more efficient in the use of

commercial areas, by making good marketing to allow increasing number of international flight like Istanbul Ataturk Airport and Istanbul Sabiha Gokcen airport.

1.4 The value of the Research

This research is conducted to be able to understand the how strategic management could apply to airports and its processes. Airports have always different strategies in comparison with other sector in the world. It has more complex process to control and adapt it easily. The concept of strategy plays an important role to survive in the sector. Therefore, Jeffs (2008) stated that strategic management process is the only way of defining, evaluating and performing the right strategy.

T.A.V. Ankara Esenboga airport is selected as a case study for this report, because when the strategy is considered, international companies should be analyzed to understand the better meaning of strategic management. Ankara Esenboga is privatized and operated by T.A.V. Holding. It has a unique strategy that all services in the airport are operated by this company.

Competitive strategies are another tool to analyze the airport's effectiveness in the sector. It is important for the airport to define a competitive strategy for attracting airlines and passengers.

This subject is especially selected because when the literature is revised it can be seen that is a comprehensive and detailed subject. One can clearly find everything about the airport, its sector and its strategies when this study is read.

1.5 Limitations of the Research

This study has conducted to evaluate the strategic management process and competitive strategies for the airport. This subject is more deal with the airport's strategies decisions, so that the author has faced with some confidential problem when interviewing the information from managers. It can be also said that researches about airport strategies are not widespread, so that it is very difficult to find books, articles and journals about this subject. The airport sector is challenging and always changing, it is a comprehensive subject that the research should be focus on each operation to evaluate the strategies.

CHAPTER 2

LITERATURE REVIEW

Table 2. Structure of the Chapter 2

	• PART 1
2.1	• Introduction
2.2	• Strategic Management
2.3	• Strategic Management Process
	• PART 2
2.4	• Strategic Management and Competitive Strategies at Airport Sector
2.5	• General view of Air Transportation Industry
2.6	• Airport sector in Turkey

Source: Created by author, 2011

PART 1

2.1 Introduction

In this study, literature review has examined in two parts; part 1 involves theoretical background about strategic management process and Porter's competitive strategies and part 2 includes industry analysis about airports. Part 1 includes background information about strategic management process in detail; strategy analysis, strategy formulation and strategy implementation. In strategy formulation process, Porter's generic competitive

strategies and strategic directions are examined in detail. Part 2 covers air transportation industry analysis both in the world and in Turkey. It is crucial to observe the trends in the sector in order to evaluate strategies for the airport.

2.2 Strategic Management

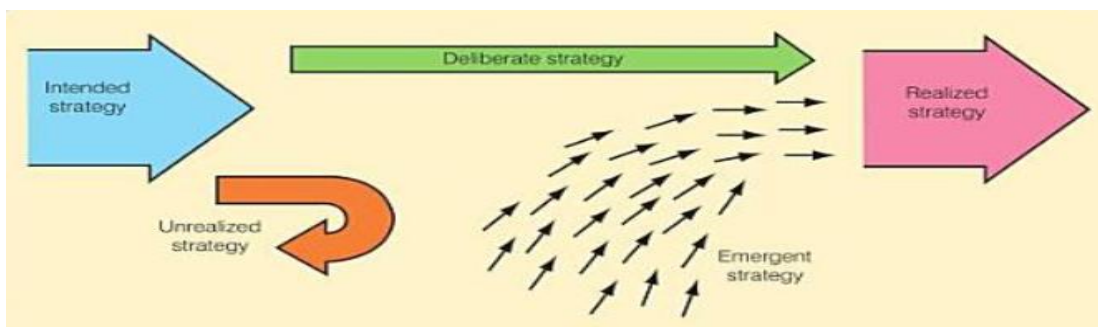
2.2.1 What is strategy?

Strategic management is a comprehensive subject that needs to be examined in detail. Firstly, the term strategy must be defined clearly. Haberberg (2008) and Rieple (2008) highlights that strategy is the path taken by any organization over the long-term, uses resources to present product or services achieving an advantage, to meet the market demand and stakeholders expectations.

Likewise, Hosskisson (2011), Hitt (2011) and Ireland (2011) mentioned that it is important to define a strategy for using companies' core competencies and gaining competitive advantage against rivals. When strategy is chosen, it shows what the company will or will not do in the future time.

Furthermore, there is another different approach to define strategy for organizations. Witcher (2010) and Chau (2010) argues that any organization's strategy is a mixture of deliberate strategy which is planned strategy by senior managers at top levels and emergent strategy which comes from the implementation of deliberate strategy. According to this idea, strategy firstly planned by senior managers and after that it should be implemented the rest of the organization which is called top-down.

Figure 2.1. Deliberate strategy and emergent strategy



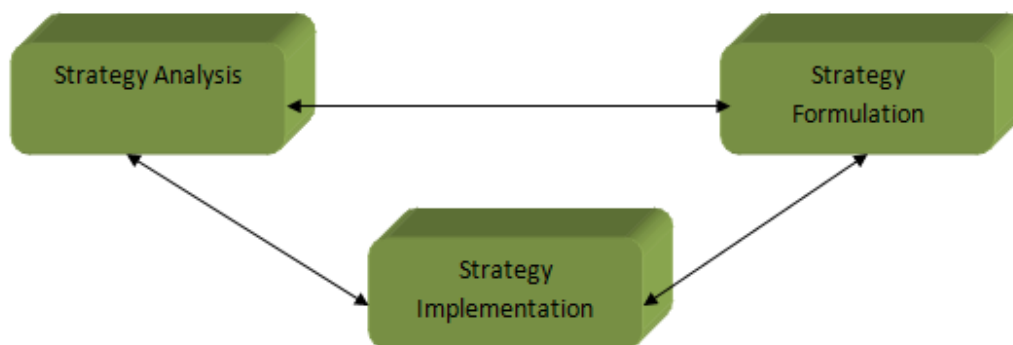
Source: Witcher and Chau (2010)

2.2.2 What is strategic management?

Strategy plays an important role in strategic management. Defining the true strategy and its implementation improve company's performance and provides competitive advantage against its rivals. At that point, strategic management approach is vital to implement right strategy for company's benefit. Jeffs (2008) stated that strategic management provides organizations to achieve its objectives by defining, evaluating and implementing strategies properly.

Strategic management is all about analysing the current situation which company is in now, preparing (formulating) a strategy and performing that strategy defined by Henry (2008). He is also mentioned that if strategy plays an important role in an organization's future performance, than all processes should be examined separately and properly.

Figure 2.2 Strategic management processes



Source: Created by author, 2011

As it seen in Figure 2.2, according to author, strategy analysis part covers generally situation analysis of the company such as internal and external analysis. It also gives an idea of competitive environment and general environment in the business. Strategy formulation part includes the best decision of strategy with considering internal and external analysis. Strategy implementation part includes how strategy performed in real life.

On the other hand, Alkhafaji (2003) argues that management concepts are now more complex than before; technology is changing rapidly, workforce changes, competition between companies are increasing and market also changing directly. In this type of century,

strategic planning and management is now necessity for any organization beside competitive advantage.

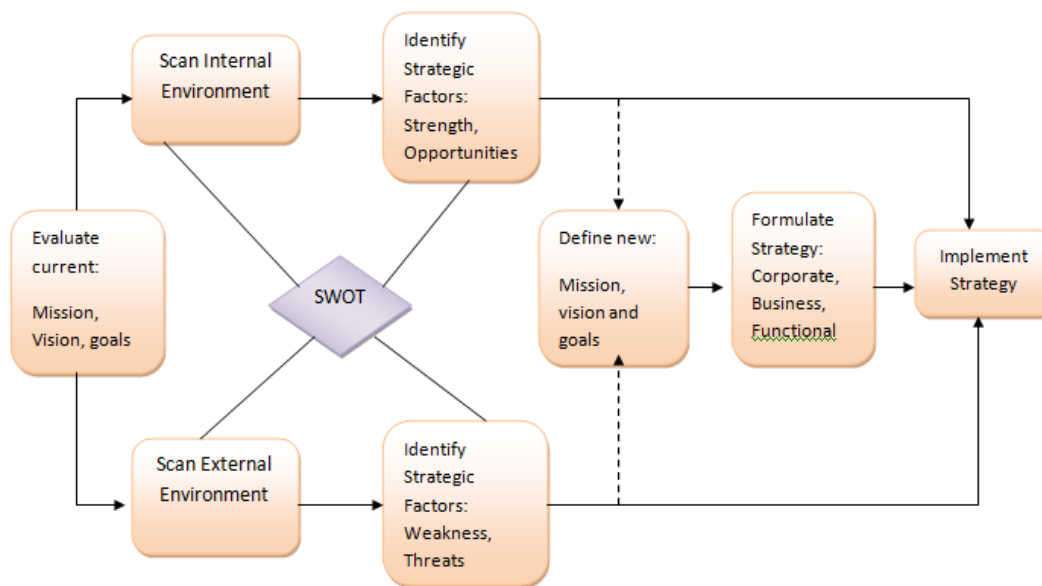
2.3 Strategic Management Process

Strategic management process start with defining corporate mission, vision and goals and then it is supported by company's external (opportunities and threats) and internal (strength and weakness) analysis, it is continue with selecting strategies that support company's mission, vision and goals and finally implement the strategies (Hill and Johns, 2010).

Moreover, strategic management process is prepared for providing managers to answer some vital questions in the business which is what is the position of the company in the marketplace? What company wants its position in the future? Which trends are occurring in the market? And what are the best ways to provide pathway for organization to achieve its goals? (Plunkett, Attner and Allen, 2008).

Hill (2010) and Jones (2010) highlight that first step of the strategic management process is defining the organization's mission statement which provides framework for strategy formulation. Mission statement has four components which are mission, vision, values and goals. Mission is always explain what the company is doing right now and vision is a statement of what company want to do in future, values cover organization commitments and goals are statements of organizations' main goals.

Figure 2.3 Strategic Management Process



Source: Created by author, 2011

Mission and vision statements are now imperatives for any organization, without any mission and vision statements, it is very hard to exist in the sector. It is clear that mission and vision statement should also be supported with external and internal environment analysis (Axson, 2010).

2.3.1 Defining mission, vision and goals of the company

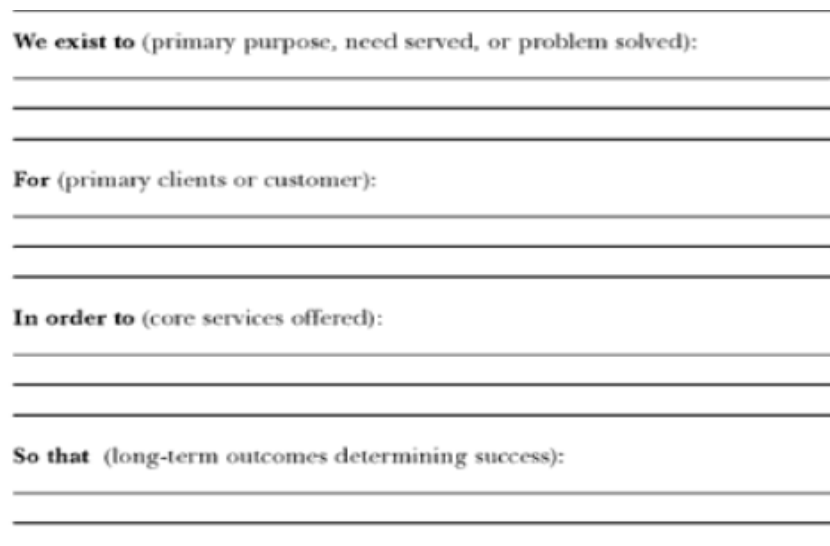
2.3.1.1 Mission Statement

Mission statement should give an accurate answer of some questions such as what is the company's business. What will it be in the future? What should it be? While defining mission statement, managers should be able to look each part of the business such as who is the target group? What does the target group needs and how these needs are being satisfied by using knowledge or skill?

Niven (2008) argues that mission statement requires high-level of thinking of a director to consider the many available possibilities for the organizations. A good mission statement should answer the following questions: why the organization exists and what it hopes to achieve in the future? Author also arranged a template for mission statement which it will

be helpful for managers who has problems with preparing mission statements. Mission statement template starts with defining primary purpose of the organization and explaining the organization's target customer, it continues with explaining the core competencies of the organization and finally defining the long-term outcomes.

Figure 2.4 Mission Statement Templates



The form is a template for a mission statement, consisting of four sections, each with a label and three horizontal lines for text entry. The sections are: 'We exist to (primary purpose, need served, or problem solved):', 'For (primary clients or customer):', 'In order to (core services offered):', and 'So that (long-term outcomes determining success):'. The form is presented in a clean, minimalist style with a light gray background and dark gray text.

We exist to (primary purpose, need served, or problem solved):

For (primary clients or customer):

In order to (core services offered):

So that (long-term outcomes determining success):

Source: Niven, 2008

2.3.1.2 Vision Statement

Ledlow (2011) and Coppola (2011) highlights that vision statement can be explained as a dream of what organization intends to become. It is also described as a picture of the company in the future and it is a framework for strategic planning process. Authors also stated that vision statement should describe the company's big picture and projects in the future, be tangible and also should describe the contrast between present and the future.

A vision statement should be concise and short that must be remember easily. A vision statement should be related with the organization's internal and external environments for reaching company's desired future position (Hosskisson, Hitt, and Ireland, 2011).

Caldwell (2004) stated that vision should be considered as a future's ideal description. Vision statement also has requirements: it should be challenging, inspiring, empowering, and stable and prepare for the future conditions.

2.3.1.3. Objectives

Objectives are general statements that company should define properly. It translates more general strategies of the vision into specific statements by focusing the company-based resources for achieving the strategy and to build the vision (Ledlow and Coppola, 2011).

For being successful, describing the objectives properly plays an important role in the business. It needs to be well-constructed. Firstly, it should be measurable and accurate, because measurable objectives give chance to managers to examine the performance of the company. Secondly, selected objectives must be address to critical points; managers should select the major goals of the company. Thirdly, selected objectives should be realistic as well as challenging, this effect employee's motivation, because of that it must be realistic. Finally, goals should be indicate a period of time, this is important again for employee's success (Hill and Jones, 2010).

The cycle of the planning process begins with defining mission, vision and goals and they mentioned that mission statement is formed by company's existing business model. After that, external and internal analysis follows the cycle (Bamford and West, 2010).

2.3.2 Internal and External Environment Analysis (SWOT Analysis)

The next step of the strategic management process is scanning the internal and external analysis of the organization. This part of the process is most detailed and time-consuming part, but the outcomes of this analysis is vital for company. It gives accurate information about the selected vision of the company is realistic or not and also it provides information for the next step of the process: business strategies.

It is clear that, examining the organization's external and internal environment is an essential part for the strategic management process. The SWOT analysis plays an important role at this point. It is known that SWOT is widely used in the business sector for scanning the environment. SWOT analysis is useful for developing company's strength, avoiding weaknesses, taking advantage from opportunities and considering future threats for the company (Böhm, 2009).

Griffin (2011) described that SWOT refers to strength, weakness, opportunities and threats, further to that, the main point is evaluating these analysis carefully and outcomes of this analysis should be lead to formulating a strategy for the company. In SWOT analysis, an organization's fundamental purpose which is mission statement is supported by examining internal and external environment analysis of the company and then, the next and the main step is formulating strategies that using strengths and opportunities, avoiding weaknesses and trying to minimize threats. Strauss (2008) stated that the most important advantage of SWOT analysis is its ability and its simplicity to integrate different perspectives directly.

Piercy (1991) proposed an advice in order to make SWOT approach better; which is while considering strength and weaknesses, it should be viewed according to customer point of view and opportunities and threats should be take into consideration from organization's point of view.

2.3.2.1 Strengths

Daft and Marcic (2011) mentioned that strengths are company's positive characteristics that company may use it to achieve its objectives. Likewise, Griffin (2011) gives another explanation for company's strength is capabilities and skills that exist in the organization to implement its strategies.

O'Brien (2009) highlights that strengths of the company are generally core competencies in which it is one of the market leaders.

2.3.2.2 Weakness

Weaknesses are also company's internal characteristics but it has negative impact on company's performance. Moreover, weaknesses are also skills and capabilities which are not implemented to company's strategies. To be a successful business, any organization should face with its weaknesses and try to strength it (Griffin, 2011).

However, managers generally do not intend to focus company's weaknesses so much, because it shows the how managers failed to invest company's skills and capabilities (Goldman and Nieuwenhuizen, 2006).

2.3.2.3 Opportunities

Opportunities are external environment characteristics that it helps the company to achieve or exceed its strategic objectives. Likewise, environmental trends with positive outcomes can be said as opportunities for any organization (O'brien, 2009).

"Opportunities multiply as they are seized" (Sun Tzu, circa 500BC)

World's widely known strategist gave broader definition that it explains everything about the organization's opportunities. Company should gives importance on its opportunities, because it highlights new areas for gaining a competitive advantage (Gilligan and Wilson, 2009). Likewise, Wilmshurst and Macay (2002) emphasized the importance of opportunities that if it is exploited, they entirely increase business success and performance.

2.3.2.4 Threats

Threats could be considered as any external trend that could possibly influence negatively the organization's objectives. These threats increase the negative impacts of organizations performance. It is vital for any company to neutralize the threats (Griffin, 2011).

Figure 2.5 SWOT analysis



Source: Griffin, 2011

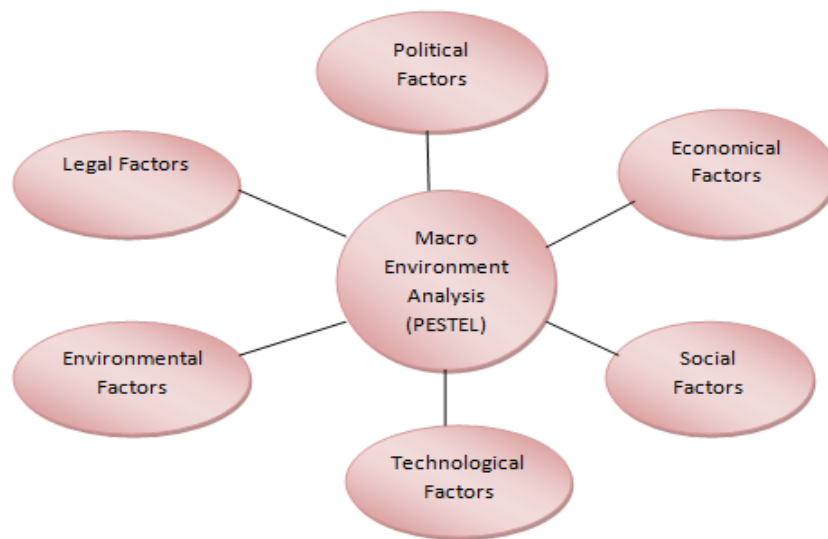
2.3.3 Macro Environmental Factors (PESTEL Analysis)

Generally, while scanning external environment in SWOT analysis, macro environmental factors should be take into consideration. Therefore, PESTEL analysis is widely used to categorize all external factors and aware of them.

Gillespie (2007) mentioned that macro-environmental factors such as tax changes, government policy, economic crisis, social welfare, technological developments and exchange rates can be all effects the decision makings of managers. Because of that PESTEL analysis which refers as political, economic, social, technological, environmental and legal. It gives a general idea about the market which any organization operates in the sector.

Thomas and Housden (2010) emphasized that PESTEL analysis is a significant part of the situation analysis and it helps to understand what may happen in the future time. It is vital to scan macro environment factors for companies benefits, because external environment is always changing; it is dynamic. Likewise, Gorgenlander (2011) highlights that PESTEL is a practical strategic tool to discover strategic positioning, market growth potential and direction for the organization. If any business wants to be an effective in the market, it is significant to realize wider environment in which company operates. While considering the external environment, it is necessary to categorize the factors that may influence the organization. These factors can be described under six categories: political, economical, social, technological, environmental and legal.

Figure 2.6 PESTEL analysis



Source: Created by author, 2011

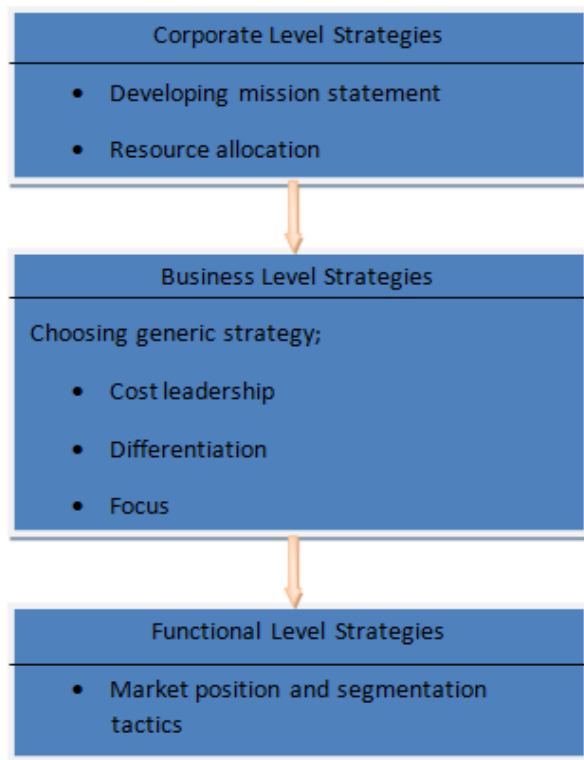
On the other hand, Bowhill (2008) discuss that PESTEL analysis identifies possible changes in each factor and its try to allocate it to find which changes should be potential consequences for the organization. Different environmental changes are expected to be significant for different companies such as technological changes may be more related with manufacturing companies that produce computers, on the other hand, political factors might be more important for new entries. Therefore, changes in each factor may examine in detail.

2.3.4 Strategy Formulation

After analyzing the company's marketing environment and identifying the internal strengths and weaknesses and external threats and opportunities, strategies at each level of different organizational levels should be required to define appropriately.

Actually, strategic planning process starts with broad thinking with developing company's overall mission which is called corporate-level strategy. It continues with choosing generic strategies of organization in business-level strategy. Once the high-level of strategies are developed, functional-level takes it into action plans which each department of the organization must perform the strategy to achieve being successful (Enz, 2010).

Figure 2.7 Three levels of strategy in an organization



Source: Created by author (2011)

2.3.4.1 Corporate-level Strategies

In corporate level strategy, managers need to answer some basic but essential questions such as what the company's core competencies, what the company's position in the business and how company use resources to achieve its objectives (Hutt and Speh, 2010). Furthermore, corporate strategy is significant, because it determines the resources in the functional areas of production, finance, customer relations, marketing to achieve the company's objectives (Pride and Ferrel, 2009).

Collis and Montgomery, 2005 (cited in Furrer, 2011) explains corporate strategy is a process which firm creates value by coordination and configuration of its multi-market activities. According to this explanation, firstly, corporate strategy's purpose is more focus on value creation, second it concentrates on firm's multimarket objectives and finally it shows how company manage the business within corporate hierarchy.

Likewise, Hill and Jones (2010) emphasize that corporate strategy planners are generally deal with broader issues such as organization's culture, differentiation strategy and competition among social and environmental issues and business units in order to match the resources of the organization with environmental threats and opportunities.

2.3.4.2 Business-level Strategies

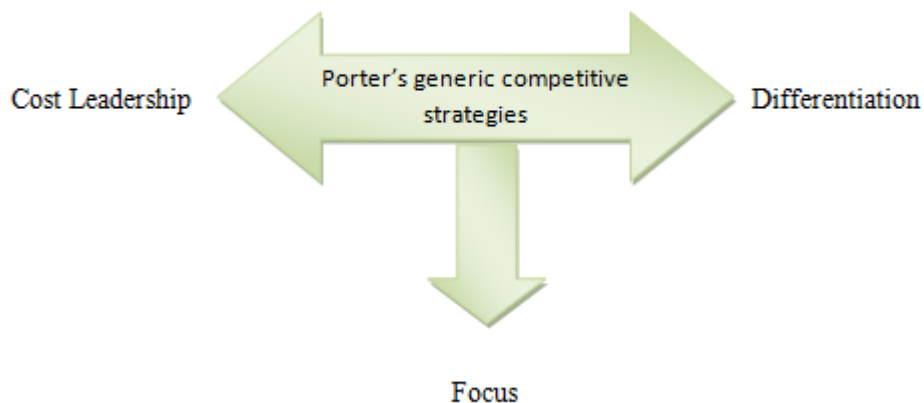
The important part of strategy formulation is business-level strategy, because it analysis and gives broader strategy to company for gaining competitive advantage. Business level strategy is more concentrate on industry which company operates. It focuses on how company competes in its industry and how it positions itself in order to gain competitive advantage against its rivals (Hutt and Speh, 2010).

Witcher and Chau, (2010) highlights that a business level strategy helps to identify a strategic choice for an organization in order to define the approach would be applied to gain competitive advantage in the sector. Likewise, Daft, (2008) discusses that business level strategy focuses on the question "How do the organization compete in the sector?"

2.3.4.2.1 Porter's generic competitive strategies

Selecting the right business level strategy is significant for the organization to survive in the sector. Therefore, it is important to perform competitive strategies in detail. A popular and effective way of formulating strategy is Porter's generic strategies. Porter (1985) (cited in Dobson, Starkey and Richards, 2004) defines that if any organization wants to gain competitive advantage, then it is needed to choose a strategy between one of three strategies that are called generic competitive strategies. Cost leadership strategy, differentiation strategy and focus strategy are the generic competitive strategies. It is vital that, any organization should select one of these strategies, more than one strategy causes stuck in the business.

Figure 2.8 Porter's generic competitive strategies



Source: Created by author, 2011

Witcher and Chau, (2010) discuss that generic strategies have four forms which are depending on the company's competitive objective of its activities. If the organization's aim covers whole industry, then cost-leadership and industry-wide differentiation strategies would be chose. On the other hand, if the organization's aim is only limited with part of the industry, differentiation and cost focus would be alternative strategies for company. It is important to made distinction between industry-wide and just only a part of the industry strategy.

Figure 2.9 Generic strategies

		Competitive advantage	
		Lower cost	Differentiation
Competitive scope	Broad target	Cost leadership	Differentiation
	Narrow target	Cost focus	Differentiation focus

Source: Witcher and Chau, 2010

Porter's generic strategies help organizations to build, defend and continue its competitive advantage. Porter's states that, effective competitive advantage can be provided by either applying cost strategy or differentiation strategy (Goldman and Nieuwenhuizen, 2006).

On the other hand, as Porter's expression "stuck in the middle" is a danger for any organization which decided to apply generic strategies. Each strategy applies different method for creating and sustaining competitive advantage. Therefore, any company should make a choice among four strategies, otherwise it will be stuck in the middle and it gives disadvantages to the firm (Moon, 2009).

2.3.4.2.1.1 Cost leadership strategy

Goldman and Nieuwenhuizen, (2006) highlights that first generic strategy is described as cost leadership strategy by Porter. This strategy mention that the business intends to be a low cost leader in the sector against its competitors and it is main target is winning the largest market share in the sector. Daft (2008) argues that position of low-cost means that the organization can lower the competitor's price and at the same time it needs to offer a certain quality and high profit from the market.

Dobson, Starkey and Richards (2004) describe that being a cost leader in the sector is a risky choice that organization can be able to keep making profit while being successful in a price war. On the other hand, becoming a low-cost leader in the sector is efficient that most powerful customers protect this type of organizations, because customers could not find lower price elsewhere. Moreover, low-cost producers are acting like a barrier for new entries, because it is very hard to enter the market with competing low prices. It also provides high profit and high percentage of market share.

Figure 2.10 Cost leadership strategy



Source: Sehgal, 2011

West, Ford and Ibrahim (2010) discuss that cost leadership should not be confused with setting low-cost prices. In other words, cost leader means able to make profit with suitable lower prices than its competitors. Dell computers can be the best example for applying cost leadership strategy; it has a cost advantage by using its direct business model. However, this does not mean that its price is the lowest.

Cost leadership strategy generally emphasizes the cost efficiency that can be achieved by using capacity utilisation and economies of scale. Cost efficiency could be a strong competitive advantage if it's sustained (Enz, 2010).

2.3.4.2.1.2. Differentiation strategy

Stonehouse, Campbell, Purdie and Hamill (2004) highlights that differentiation strategy seeks to separate an organization and its operations from its competitors. It is more focus on creating significantly different products or services that would give a competitive advantage in the sector. Furthermore, differentiation can be provided in a variety of ways such as creating brand image, increasing after-sale services, developing new technologies and giving high-quality services (Goldman and Nieuwenhuizen, 2006).

Differentiation strategy is different than cost leadership strategy that it just concentrates on how to create a different service or products to its customers. It provides customer's loyalty

which creates barrier for new entries. Furthermore, differentiation strategy generates more profit than cost leadership strategy (West, Ford and Ibrahim, 2010). Company which is planning to apply differentiation strategy should have some characteristic to achieve success such as strong marketing ability, strong relationship between departments, rewards employee innovation and reputation for quality leadership (Daft, 2008).

Daft and Marcic (2010) highlights that differentiation focuses on just customers that are not deal with any price of the service or products. It would be more profitable because customers become loyal and willing to pay high prices for the product or service.

On the other hand, Dobson, Starkey and Richards (2004) company should consider four major segments of organizational activities which want to gain competitive advantages. These factors are technology, quality, customer service and giving more value. However, differentiation strategy has some risks that managers should take into considerations;

- Additional cost for generating differentiation can be result increasing in selling price that may affect customer's opinion through lower-price brands.
- After a while, customer may not intend to buy extra price for small changes.
- Competitors might imitate the product or service with lower cost than the company; this can cause losing customer loyalty.
- Frequent development may cause customers to not follow the brand.

Kotler (2003) cited in Cox and Schleier (2010) stated that meaningful differentiation may take place with five different bases which are; product, service, personnel, channel and image differentiation. *Product differentiation* can be utilized by changing the form of a product or it can be achieved by adding some features. *Service differentiation* like product differentiation, company can change the service which gives to customer; on-time delivery, easy and accurate service, strong customer relationship and so on. *Personnel differentiation* can be provided by well-trained the personnel in order to utilize better service. *Image differentiation* always gives more competitive advantage for firms, so that company should express its customer with its brand identity.

2.3.4.2.1.3 Focus strategy

Goldman and Nieuwenhuizen (2006) discuss that Porter's third generic strategy is focus strategy that includes concentrating on group of customer, product and service or specific market. Focus strategy has two parts; cost focus and differentiation focus strategy. It is important to know that focus strategy would be better if small business could use it.

If an organization does not prefer a broad market, then focus strategy would be the best solution. In this strategy, special segments or customer groups are the company's target. It is an advantage for companies that they just need to develop its service or products for smaller segments (Faarup and Aabroe, 2010).

Figure 2.11 Porter's generic strategies from the broad and narrow point of view



Source: Faarup and Aabroe, 2010

Cost focus strategy

Faarup and Aabroe, (2010) described that in cost focus strategy; organization's objective is becoming a cost leader in target market. The only difference between cost leadership strategy and cost focus strategy is only the targeted market. On the other hand, Eldring, (2009) argues that there are some problems when performing cost focus strategy that this strategy is unachievable with an industry depends on economies of scale.

Wheelen and Hunger (2004) highlights that company, which uses cost focus strategy, believe that its efforts can serve its specific target more efficiently than its rivals. However, this strategy needs a trade off between market share and profitability.

Differentiation focus strategy

In differentiation focus strategy, company gains competitive advantage by using differentiation strategy in specific segment of the market (Porter, 1998). This type of strategy focuses on specific buyer group or particular segment in the market. In this segment of buyers should have an unusual need that can be differing from other market segments (West et al, 2010).

Focus differentiation is important because company may design and develop new product or service that must be worth to spend time and money. This strategy could be applied for companies which intend to focus its efforts on narrow segment (Eldring, 2009).

2.3.4.3 Functional-level strategies

Functional-level strategies aimed to perform short-run objectives that achieving organization's goals. It is also a short-term guide for managers in marketing, human resource, operations and finance areas (Stead, Stead and Starik, 2004). Likewise, West et al (2010) argues that strategic decisions taken at this level are all related with various areas in the company such as R&D, marketing, customer relations and finance. Sustaining competitive advantage can be provided by the development of all these strategies and coordination between them.

Sengupta, Bhattacharya and Sengupta (2006) describe that functional level strategy can be thought as an implementation of business level strategies. Likewise, Carrol and Buchholtz (2008) emphasize that functional-level strategy focus on strategies at each department of the organization; marketing strategy, finance strategy, R&D strategy and human resource strategy should be defined in detail.

2.3.4.4 Strategic directions

Managers should consider a marketing-related decision for achieving strategic objectives in each strategic level according to marketing environment analysis and organization's overall objectives. At that time, Ansoff's matrix is a useful technique that is widely used to be a guide for managers in making such strategic decisions (West et al, 2010).

Pringle and Field (2008) highlights that Ansoff's matrix sometimes called as strategic directions for the organization. These strategic directions relate to which service/product should be improved for which markets. Ansoff's matrix is a positioning matrix that distinguishes the level of market and/or product development. Market penetration, market development, product development and diversification are the main strategic directions.

Figure 2.12 Ansoff Matrix



Source: Ansoff (1957) cited in Pringle and Field (2008)

As it seen in the Figure 2.12, matrix shows the four possible options available for any business in regards with market and product/service strategy. Burtonshaw-Gunn (2010) stated that this matrix is used to provide a guide to set organization's objectives and

understanding the current position of the organization in the matrix. Cheverton (2004) describes that Ansoff's matrix suggests that an organization intend to grow with either existing product or new markets in existing or new market. Therefore each four option should be examined in detail.

2.3.4.4.1 Market penetration

Market penetration is one of the strategic options which include selling existing product more in the existing market. In other words, company increase its penetration level in its natural market (West et al, 2010). Likewise, Botten (2009) highlights that in market penetration strategy, company wants to increase market share by increasing advertising, reducing prices, or differentiating the service/product.

Aim to increase market share is defined by Lester (2009) as another definition for market penetration. It is also provide to increase sales performance to compete effectively in the current market with current product/service. This strategy is known as the least risky one of the four alternatives if company knows its product or service and its markets in depth.

Market penetration is a strategy that provides any organization to use their product or services more effectively and actively in the sector (Graham, 2008). Hill and Jones (2010) stated that market penetration strategy provide any organization to more active in its businesses and long lasting operations in the sector.

2.3.4.4.2 Market development

Market development strategy involves focusing on existing product or service but searching for new market segments. Entering a new market is always a risky decision for any organization; it needs to satisfy new customer needs to survive in the sector. In addition to that, entering a new market needs a broad environmental analysis to be able to understand the market (West et al, 2010).

In market development strategy, company intend to growth its business by changing its target markets. Therefore, the company's product remains the same but the market is changing such as maybe selling in the new region or exporting (Gabay, 2010).

Botten (2009) stated that in market development strategy, company intends to growth by utilizing its existing products/services to new market/customer. It can be selling in new geographical regions or new market segment.

2.3.4.4.3 Product development

Product development includes developing new service or product to its customer in the existing market. The main objective of this strategy is expanding the range of the product in the same market to increase the sales level (West et al, 2010).

Cox and Schleier (2010) stated that product development can be explained as the process of engineering, conceiving and constructing new product or service solutions in order to provide customer satisfaction in the existing market. This strategy could be more appropriate for organization that has strengths related with specific customers rather than the product. This would create more chance to increase sales by developing new product to its existing target customer (Botten, 2009).

2.3.4.4.4 Diversification

Diversification is widely known as the most risky strategy between all four strategies. It requires both new market and new product/service besides the company's core business. It diversifies companies business into new market with new product (Stone, 2001). On the other hand, diversification may be an advantage for the firm, if there is a great chance to high rate of return compensates the high level of risk. It gives chance to company to gain an attractive business and not depending on just one industry (Botten, 2009).

Diversification has two different types; related or unrelated. Related diversification as it can be understood by the name, it diversify product/service and market into new one, but it is also related with the existing product/service and market which company now operates. On the other hand, in unrelated diversification, company has no previous experience in the market or product/service (Gabay, 2010).

2.3.5 Strategy Implementation

To increase performance and gain competitive advantage, managers must put chosen strategies into action which means those strategies has to be implemented. Strategy implementation covers all strategic levels actions such as corporate, business and functional level to perform a strategic plan (Hill and Jones, 2010).

PART 2

2.4 Strategic management and competitive strategies in airport sector

Strategic management process in the airport industry is challenging, because this sector is changing rapidly. It is crucial to survive and maintain airport operations in this challenging sector. Nevertheless, it is also very hard to predict the events in the future. Economic slowdowns or crisis, new regulations, airline bankruptcies, emergence of low-cost carriers, mergers between airlines can be considered as changing events in the airport sector (Airport Cooperative Research Programme (ACRP) Report, 2009).

Strategic management process should be utilized effectively in specific airport, because all airports in the world have different type of strategies, passengers, airlines, government restrictions and so on. Therefore, strategic management process must be tailored with each airport (Delfman, 2005).

Furthermore, competitive environment is also always changing, so that competitive strategies for each airport should be defined to locate the airport position in the sector. Competition varies in different segment of the aviation industry. It can be coming from other airport in the same area. London airports could be a best example for this competition. One airport could give better service or more suitable pricing options than another, this cause a competitive environment as well. Another competition can be considered as airline's hub network. For attracting airlines for using the airport for its hub network operations could be a war between airports. More number of airlines more passengers and more revenue. Economical factors such as fuel prices also a competitive factor for airports (Wald et al, 2010).

Ground handling system could be a competition area for multi-airports. If the ground services of airport are well enough, it takes passengers to and from an airport as fast as possible. This gives an advantage for airport satisfaction as well as airlines (Meersman, Roosens, Voorde and Witlox, 2004).

2.5 General view of air transportation industry

It is known that transportation plays an important role for each of the country in the world; there could not be any chance to consider any nation without any transportation lines. Beside all type of the transportation, air transportation is more important because it provides accessibility of people, goods and services in fastest way.

The aviation industry has long history that it stands the invention of zeppelins and the beginning of air transportation started with the development of first flight in the 1900s (Winchester, 2007). Nowadays, air transportation has significant role in the movement of passenger and product in both inside the country and between the countries.

One can see that airports are the essential part of the air transportation system. It provides improvement of country's economies by increasing tourism and commercial activities. Airports also give support to countries for developing itself, strengthen the relationship with other countries and increase the living standards and lifestyles (Sinha and Labi, 2007).

2.5.1 Airport Privatization

Most of the airports across much of the world are now operating by private companies, but until the mid-1980s, all airports with its aeronautical services were operated by government organizations, just small number of airports performed by independent companies which called airport authorities (Belobaba, Odoni and Barnhart, 2009). Likewise, Gillen et al, (2004) discuss that there has been a comprehensive airport reform in the world; nearly all airports are privatised. Change in the airport privatization also changes the market point of view; nowadays airports are now operating more commercially and profit oriented.

On the other hand, Cento (2009) discusses that nowadays many airports around the world are still owned and operated by government. Although the deregulation has become more popular, almost 50% percent of the airports in the world are still in the hands of

government. However, many countries are now utilizing different degrees of privatization involvement in their airport sector. There is not any specific type of airport privatization model; it can be full government owned and operated, public private partnership or partial/full privatization.

Gillen et al, (2004) argues that while privatization process spread all over the world, UK government also decided to privatise the London airports, but not sell them separately; it was considered as a group. So that potential competition between the airports could be missed. On the other hand, Ashford, Mumayiz and Wright (2011) emphasize that in 2010, there is still airports that owned and operated by centralized organizations that are the part or the owned by the national government.

2.5.2 Revenue streams

It is widely known that airport business has two distinct operations; aeronautical and non-aeronautical activities. Aeronautical activities includes aviation's natural core activities such as airline take-off and landing activities, passenger check-in process, aircraft maintenance and so on. However, non-aeronautical activities include all commercial area in the airport such as duty-free, car parking, catering areas and so on.

At the beginning, airports operations were concentrated on just core business; handling airplanes and provides passenger's flight process. But now, in the global business requires being more competitive, so that airports are expend its operations to cargo transportation and commercial activities (Wald et al, 2011).

In recent days, commercial areas have significant role on airport revenue that in large and medium airport's revenues 50% percentages come from retail activities (Airport Council International (ACI), 2007).

In order to generate capital for airfield and terminal expansion, commercial activities revenue is key factor. Commercial revenue stream is also significant for airport's ability to attract investors. Any airport could not be considered without any commercial revenue. Forsyth et al (2010) mentioned that revenue streams such as food and beverage, advertising, parking, rents, duty-free activities are all main sources of the non-aeronautical income.

2.5.3 Airport-Passenger Interactions

People generally choose air transportation because it is the quickest way to travel around the world. Especially, business travellers choose generally to travel by airplane for avoiding time-consuming. Furthermore, business travellers are generated %20 and leisure travellers are generated %80 of the air travel industry. However, business travellers play significant role in airline industry that %70 of revenue come from these travellers (Gillen et al, 2004).

Duval (2007) argues that commercial activities are becoming a significant source of revenue for lots of airports. While passengers are waiting the boarding time, they need to do something automatically, so that market captured the passengers in both landside and airside. Moreover, Hanlon (2001) cited in Duval (2007) highlights that competition between airports might be influence by retail operations. Some passengers choose air travelling first the nature of air services and second consideration is retail activities.

2.5.3.1 World's best practices of commercial activities in the airport sector and its strategies

Starkie (2008) mentioned that as well as terminal businesses, retail activities also play an important role in airport revenues. According to New Zealand Airport's Annual Report in 2004, it can be seen that %40 of revenue came from retail operations in the airport.

Airports are now not just a transit point for passengers, it is turning into shopping centres (Timothy, 2005). In recent days, several international airports become major shopping centres for travellers such as Heathrow, Dubai, Singapore and Frankfurt. London Heathrow Airport is now considered one of the most respectable air facilities in the world and it is now famous with its shops (Ray, 2010). Furthermore, Heathrow Terminal 3 has a wide range of retail services which covers luxurious fashion brands shops, large capacity of duty-free shops and cafes and etc. It is operating like a shopping mall.

Moreover, at Changi International Airport in Singapore, both Terminal 1 and Terminal 2 has 25 million passenger movement per year and airport's retail features give a wide range of opportunity to its passengers such as napping areas, movie theatre, fitness centre, transit hotel and huge number of retail outlets (Duval, 2007).

Several airports are now trying to perform diversification its services which make the shopping activities easy and enjoyable. London Heathrow Airport and Changi Singapore Airport is now using internet booking of various commercial services on offer, such as duty-free products, car booking and foreign currency (Graham, 2008).

2.5.4 Airport-Airlines Interactions and Airports Competitive Strategies

Airports and airlines need each other for their own right to survive. Whereas both have some mutual aim on various part, there are variation of interest on other. Forsyth et al (2004) argues that the most significant point in airport airline relationship is airport's aeronautical revenues are created by airlines. This is a probable cause for understanding the relationship between them.

It is obvious that, airlines are the most significant stakeholders of airports. Airports could not be an airport without any airlines. Therefore, airport-airline relationship should be examined in detail. Postorino (2011) highlights that nowadays; aviation industry faces with strong competition and fast developments in its sector. On the other hand, competition between airlines is increasing and this lowers the profitability of the industry.

Furthermore, author discusses that the important point between the airport-airline relationships is bargaining power. In the international hub airports, there are lots of airlines that willing to bid for landing rights. Therefore, airports have a chance to charge airside prices above the cost for aircraft movements. This shows that airlines bargaining power is reduced. However, more regional airports (spoke airports) are always dependent on single low cost carriers. Therefore, the low cost carriers have a chance to easily change its operations to another spoke airport if the aircraft price does not satisfy them. This shows the high level of bargaining power of airlines in this type of airport (Graham, 2004).

2.5.4.1 Hub airports and origin/destination airports

Airports and airline relationship also shape according to type of airports such as pricing strategy could be different when the airport is hub or just only a spoke airport. Wu (2010) gives a broader definition of hub airports: firstly hub and spoke network provides to collect and distribute passenger traffic among flights at an airport. In this case, the main role of any

hub airport is providing an easy process of intensive aircraft ground operations while assuring passengers transfer to another connecting flight. Moreover, most spoke-to-spoke airport connections must be performed with a hub airport, because direct connections are limited in a hub system. This causes longer travel time than a direct service. This system is applied to large geographic region such as North America; more than two hubs are performing passengers' connections.

Döring (2009) highlights that national carriers have significant importance on hub airports, because they choose the airport, not airport choose the airline, in order to perform its hub operations. Then airport become a hub airport with its national carrier. So that, home carriers have the market power, not the hub airport has any power in the industry. As it can be seen in the Paris Charles de Gaulle Airport's major air traffic is determined by its national carrier, Air France. It is also dominates the overall development of the airport.

On the other hand, becoming a hub airport is not as much as easy that operating small airports. Firstly, a suitable geographic location is required for airlines to be a good transfer point. In addition to that, national carrier (home-base operator) is essential. Singapore Airport is a good example that Qantas of Australia operates co-ordinated with all flights between Australia and Europe. It is also requires high investment and large facility and also revenue from commercial activity could decrease because of the limited time of transfer passengers. It is a risky decision that is a possibility of unsuccessful outputs and crisis affects airlines that national carrier may goes bankrupt. Zurich and Brussels airport have experienced it after the 2001 crisis, national carriers (Swissair and Sabena) went bankrupt and both two airports had to close facilities until a sufficient number of airlines had taken the opportunities to fill the huge gap of passengers (Kraus and Koch, 2006).

2.5.4.1.1 World's successful hub airports' strategies

Airports and their strategies can be varying from one airport to another. Therefore, success strategies for airports could not be generalized. It is changing according to airport's nature and its target passengers (Graham, 2008).

Differentiation strategy – London Heathrow Airport

Ashford et al (2010) stated that London is a North Atlantic gateway for Europe and acting as a hub between Latin America and Europe. Because of that, London airports have importance on being hub airports in both Europe and the world. Heathrow, London Stansted, Gatwick, Luton and London City airports are all has different strategy and passenger segment to survive in the sector. Wit and Meyer (2010) mentioned that London Heathrow is known as the world's third busiest international hub airport in the world and it is carrying 68 million passengers per year. Heathrow's main backbone is provided by generally transfer passengers. This increases long-haul flights from and to airports. Therefore, its strategy is more focusing on remaining international hub airport with differentiating itself.

Cost focus strategy – London City Airport

On the other hand, Transit Cooperative Research program (TCRP) report (2002) stated that Gatwick airports passenger segmentation is generally formed by leisure travellers who do not live in London. Therefore, the airports strategy is more focusing on this type of passengers. Cohen and Rustin (2008) stated that London City Airport has very different strategy then other London airports; it offers mostly business flights (short-haul flights) directly. It is located at the centre of Thames Gateway London; it is easy for businessman or businesswoman to leave the city with rapid check-in process and uncongested airport traffic to its business destinations.

Market development strategies

Frankfurt Airport is known as one of the most important and busiest air traffic hubs in the world. It is one of the world's leading aviation hubs. Management Company of the Frankfurt airport called as Fraport AG which provides comprehensive management for the airport. All activities from ground handling to retail activities are performed by this company. Frankfurt Airport has a geographical advantage that located in the centre of the Europe and enable transfer point for long-haul flights. It has also broad range of activities differ from other airports that if passenger want, they can join the airport tour. Fraport AG provides consultancy and management contracts in specialist areas such as handling, commercial

areas, construction and engineering is an internal way of achieving market development (Bellotti, 2008).

2.5.4.1.2 Low-cost carriers

In 1993, the liberalization packages by European Court were put in place and after that European aviation industry transformed towards to common European aviation regulation system. Airlines had own rights to define their pricing policy which can be seen with the low-cost carriers.

In contrast with hub-to-spoke network, there is another network that more focus on individual markets called as point-to-point network. In this type of network, passengers are generally travelled between two airports; there is not any change it is a direct service. Southwest Airlines in the U.S. use this type of network and become a pioneer of low-cost carriers in the industry. Nowadays, low-cost carriers are spread all over the world (Wu, 2010).

Jarach (2005) emphasize that Low-cost carriers (LCC) choose airports according to achieve profitable business with low fares. They will always prefer uncongested and low fares airports which generally located far from the city centre. There is only small numbers of check-in desk that passenger might wait longer time and needs to arrive at airport early. Furthermore, the best examples of low-cost carriers are firstly pioneer one Southwest Airlines in the USA, followed by Ryanair and Easyjet in Europe and Virgin Blue in Australia.

Moreover, LCC gives huge number of passengers for the airport; air traffic increases rapidly and positive economic effect occurs on tourism industry. In recent days, easyJet is the pioneer in the Europe that serves more than 500 routes and carries more than 46 million passengers per year. Nowadays, LCC has %24 market share in all over the world. Nevertheless, most major airlines had some problem to compete these low fare carriers and they create their low-cost carriers. British Airways set up its own low-cost subsidiaries in 1998, but after 4 years later BA sold its LCC to easyJet (Minkova, 2011).

2.6 Airport sector in Turkey

2.6.1 An overview of Turkish transportation industry

It is obvious that Turkey's geographical location establishes connection between the East and the West. Therefore, transportation industry plays an important role for the economic development of the country and the region. It also gives a chance to Turkey can serve as a transport hub or a link between neighbour countries.

2.6.2 A brief history of Turkish air transportation industry

In Turkey, air transportation sector first real workings' start with legislation of civil aviation in the 1983. Government decided to organize Directorate General of Civil Aviation in 1987 to be able to compete with world's aviation industry. Especially after 1985, Turkish Airlines (THY), which is generated by government in 1958, developed its fleet and tended to its operations to international flights rather than focusing on domestic market. Even though Turkish air transportation industry, like all air travel industry in the world, was negatively affected by Gulf Crisis in 1990, it recovered itself and air traffic demand started to increase in 1998 (Tunc, 2007).

However, after the economic crisis that was influenced all over the world at the end of 2000 and the beginning of 2001, Turkish air transport sector had faced with becoming smaller. This crisis affect was getting worse with 11th September attack in the USA (Cetin and Oguz, 2011). On the other hand, although most countries' air traffic has decreased with the economic crisis in the world in 2009, air traffic in Turkey has increased 5,4% and at the end of August 2010, rate of increase has recorded as 15% in Turkey (Birdal, 2010 cited in TAV Press Release, 2011).

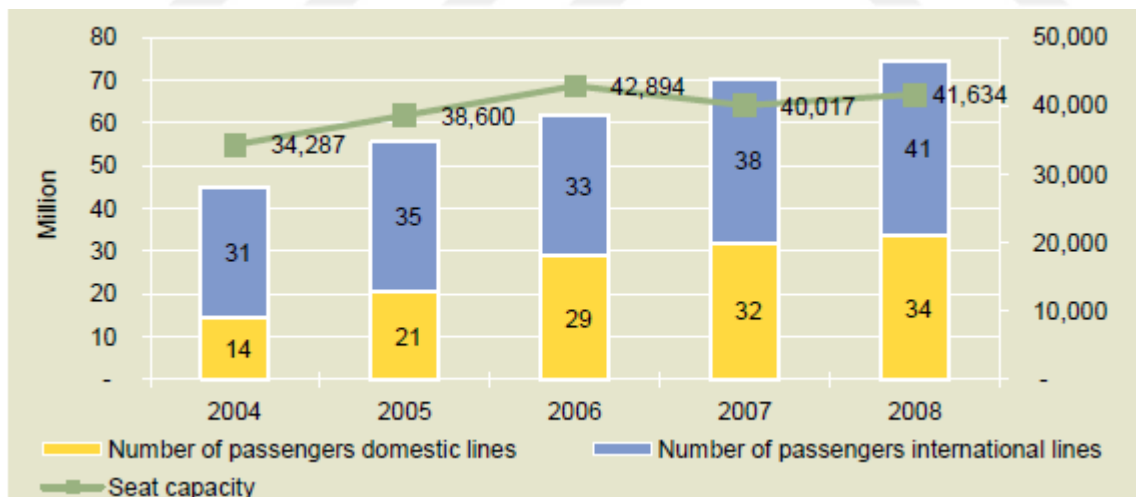
In addition to that, regulation was an obstacle to competition in the industry, THY applied monopolistic approach so that ticket prices were very high and demand for air travelling was very low. In 2003, the government decided to change the price tariff legislation so as to support Airline Company's benefit. This law provide airline firms to determine prices according to competitive market conditions and also taxes which are taken from airlines per ticket were decreased. On the other hand, Turkey accepted the EU Council Regulation which

is also enabling the price determination according to market condition (Cetin and Oguz, 2011).

“Regional Airline Transportation” is an important concept which is the fastest growing part of the air transportation system in Turkey. Sarilgan (2007) stated that the government decided to extend its regional airports, because passenger demand increase in domestic flights, increase in gross domestic product and economic ticket price in domestic flights. Regional airline transportation conducted generally with small size capacity and generally between small and large cities with short and medium routes in Turkey.

In parallel with industry developments, after deregulation, international traffic was increased, ticket prices were declined and new job opportunities were generated. Furthermore, modern airport terminals were built in the country. THY’s dominancy is still continue but market share decreased from 57.14% in 2002 to 32.04% in 2009. Likewise, number of passengers in the domestic flights also increased substantially such as 8.7 million in the 2002 and 36.51 million in the 2009.

Figure 2.13 Air travel growth in Turkey



Source: Turkish Statistical Institute, 2009

In recent days, Turkey has presently 45 airports in all over the country, but a budget of 4 billion is allocated to further airport modernization on construction process. Istanbul Ataturk Airport, Antalya Airport, İzmir Adnan Menderes Airport, Ankara Esenboga Airport and Istanbul Sabiha Gokcen Airport are all Turkey’s most dominant international airports.

In European airport industry, Turkish airports are the most powerful candidate, that passenger traffic passed 100 million marks in 2010, to moves into Europe's fourth place in 2013 and 2014. According to Airport Council International (ACI) Europe's airport size classification, it can be seen that every classification have at least one Turkish airports which are highest growth in Europe (ACI, 2010).

Figure 2.14 Airport's size classification regarding as growth percentage

	More than 25 million passenger	10-25 million passenger	5-10 million passenger	Less than 5 million passenger
1	Istanbul IST (+7.7%)	Istanbul SAW (+74.2%)	Brussels CRL (+32.3%)	Kaunas (+77.3%)
2	Rome FCO (+7.4%)	Antalya (+18.7%)	Ankara (+27.5%)	Trapani (+57.5%)
3	Barcelona (+6.9%)	Copenhagen (+9.1%)	Moscow VKO (+22.4%)	Brindisi (+47.2%)
4	Munich (+6.2%)	Vienna (+8.7%)	Izmir (+20.7%)	Rimini (+47.2%)
5	Frankfurt (+4.1%)	Milan MXP (+8%)	Porto (+17.1%)	Diyarbakir (+32.5%)

Source: Airport Council International, 2010

2.6.3 Low-cost carriers and national carriers in Turkey

After deregulation operations in 2003, Turkey's air travel market positive movements were occurred. Government decreased taxes in the airlines ticket price depending on high demand of domestic and international flights and most non-scheduled airlines started to move its operations to scheduled flights.

2.6.3.1 National carrier – Turkish Airlines (THY)

Turkish Airlines (THY) is known as the major national carrier/flag carrier in Turkish air travel industry. It is generally determines the air traffic all over the country. It has 33% market share in scheduled domestic flights and 25% of international flights according to passenger transportation (Tunc, 2007).

Istanbul Ataturk Airport is the main hub point of THY and second hub airports are Ankara Esenboga and Istanbul Sabiha Gokcen Airport (Turkish Airlines (THY) Official web site, 2011). THY is now operating its international flights to 134 different points in which Europe, Middle East, far East, America and Africa and domestic flights to 41 different points. By using Istanbul Ataturk Airport as a hub, THY has established a wide range of network in the Middle East and Far East (Vedder, 2008).

Furthermore, THY has been applying new pricing system for passengers which called dynamic revenue management since 2005. It enables passengers to flight more flexible and suitable price which is changing according to demand rate in the market. It gives a chance to passengers also, when they buy ticket earlier, ticket price would lower than normal price (Tunc, 2007).

2.6.3.2 Low-cost carriers

Low-cost carriers sector has rising with deregulation of aviation industry in 2003. First domestic flight without Turkish Airlines was carried out with Fly Airlines between Istanbul-Trabzon in 20th September 2003. After that, numbers of flights and airlines have been directly increased. In parallel with European airline companies, number of low cost carriers also increasing in Turkey. In recent days, there are 4 major LCC which are Atlas jet Airlines, Onur Airlines, Pegasus Airlines and Sun Express Airlines. All these companies are raising star of the Turkey's low cost carriers (Cetin and Oguz, 2011).

Pegasus airline is now the best example for LCC in Turkey. It is the first private airline company that operates international and domestic flights in Turkey. It is now operating 19 different points in domestic flights and 20 different in international points. Their strategy is focusing on accessible ticket price and intends to define prices in order to satisfy its customer in a suitable price.

Even though THY is the main carrier in the country, it needs to compete with these low-cost airline companies, because of that they introduced Anadolu Jet in 2008 as a substitute of other low cost carriers. Anadolu Jet is a branch company of THY which perform as a different strategy to simplify the air travel operations and define the ticket price as much as suitable for each segment of passenger. (THY Annual Report, 2011)

2.6.4 European Union (EU) Transportation Policy

It is known that Turkey gives importance on being a member of European Union Commission for a long time. Therefore, every single detail for reaching the EU conditions is vital for Turkey. Turkey's adaptation process to EU also includes the adaptation of transportation policy of EU.

Transportation industry has an important position for EU, because 7% of EU's gross national product, 7% of EU's employment and 40% of EU member investments comes from transportation industry (Agra and Ardy, 2011). European Commission published "White Paper on the Future Development of the Transport Policy" that includes the common transportation policy has clear objectives that to promote modes of transport and carrying services by combining transport regulations. It is also includes to create a European transport network by using existing infrastructure (Organization for Economic Co-Operation and Development (OECD) Report, 2007).

Transport policy also aimed at some major improvements for EU countries such as it includes providing balance between transportation types, solving the legislation problems, centralizing passengers in the transportation industry and globalizing transportation industry.

The important point is how Turkey is adapted this policy to its transportation industry. Firstly, Turkey has some problems about balancing transportation types that road transportation is now leading the industry with high percentage. In addition to that, in Europe railway infrastructure developed well connected and spread all over the Europe, so that Turkey needs to improve its railway infrastructure as soon as possible.

2.6.4.1 Transportation policy for air travel industry

Increasing market demand in air travel industry needs to be more secure and safety. Especially after terrorist attack to USA in 11th September 2001, EU wants to provide more safety air transportation in all airports. Even though International Civil Aviation Organization (ICAO) and European Civil Aviation Conference (ECAC) performed in the sector, EU decided to set up new security policy was introduced to provide safety air travel operations.

2.6.5 Air freight traffic in Turkey

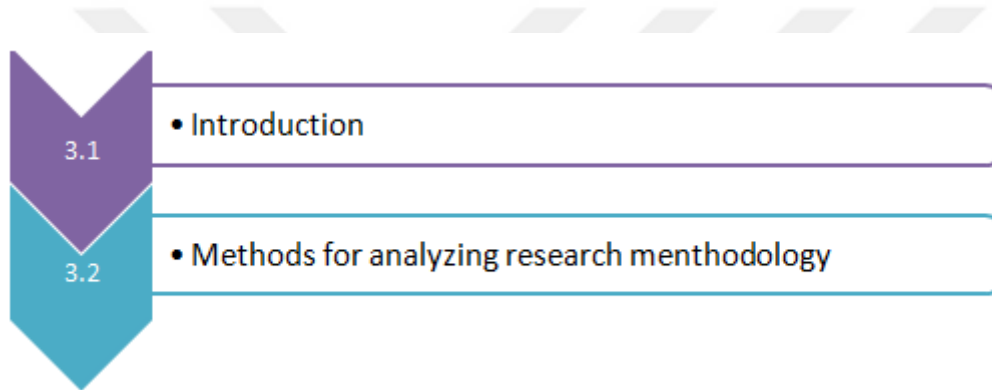
In parallel with world's changing business, air freight also play importance role on strategic positioning in aviation industry. In Turkey, although cargo activities are mostly performed by road transportation, air transportation industry is also developing rapidly. It is obvious that, air freight operations are mostly deal with the geographical positions of the country. At that point, Turkey has a chance that its' geographical position is suitable for every transportation activities between Middle East and Europe (Batur, 2008).

Air freight traffic is getting proliferate in each year such as; total air cargo traffic in 2002 is 880.133 tons, it increased to 931.191 tons in year 2003 and in 2009 it reached the high level; 1.726.245 tons (General Directorate of State Airports Authority (DHMI) Statistical Year Book, 2010).

CHAPTER 3

RESEARCH METHODOLOGY

Table 3. Structure of the Chapter 3



Source: Created by the author, 2011

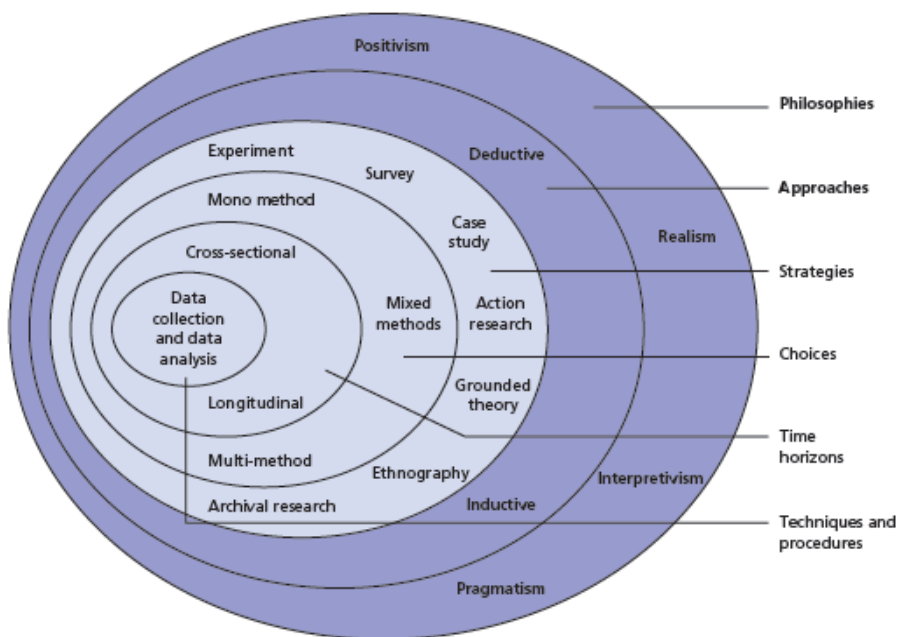
3.1 Introduction

Research methodology section gives information about research philosophy, research approaches, research methods, research process and data collection methods. The main objective of this study is to understand how the methodology is formed and used in this study in detail. This section will be a pathway for the study such as determining philosophy of the research, which approach can be used; inductive or deductive, which research methods is suitable for the study; qualitative, quantitative or both and which data collection methods can be suitable; primary data collection or secondary data collection. Data collection method is necessary for using reliable data for critically evaluating the strategic management process and competitive strategies for TAV Ankara Esenboga airport.

3.2 Methods for analyzing research methodology

It is important that understand the philosophy of the research, which methods will be used and which strategy will be chosen for research is all important. Saunders, Lewis and Thornhill (2009) described a research onion which helpful to examine all research methodology such as research philosophies approaches, strategies, choices, time horizons and techniques and procedures. In this part of the report, all these specific parts are observed in detail.

Figure 3.1 Research Onion Structure



Source: Saunders et al, 2009

3.2.1 Primary and secondary data

3.2.1.1 Secondary data

Thomas (2003) suggested that before starting the research, it is significant to start with collecting secondary data. It can be also an effective way to analyze the objectives.

Secondary data includes books, articles and reports and so on. On the other hand, secondary data covers both qualitative and quantitative data and also both used in explanatory and descriptive research (Saunders et al, 2009). Chapman (2005) and McNeill (2005) highlights that secondary data is the research which has been provided for non-sociological reasons.

Gould (2010) and Veit (2010) described that the secondary research is called secondary because it includes second-hand discovery of information, on the other hand if anyone wants to make their own original discoveries, than its called primary research.

If advantages and disadvantages of secondary research wanted to be mentioned, it can be explained that, in secondary research, it is easy to access data by using online technologies, it provides also low cost for researcher, because getting information is less expensive than dealing with research itself. It may also help to answering research questions by giving exact information about the question.

Some data and information could not be collect by individually; it takes lots of time and it would be too expensive to collect it. Therefore, secondary data is useful at this point (Kotler and Armstrong, 2010).

3.2.1.1.1 Justification of the research

In this report secondary data are one of the main sources for especially theoretical backgrounds which all are collected from both libraries and using internet. Books, journals, articles and web sites are the main source for secondary data. Newly published books are preferred to collect information for especially theoretical background such as literature review part. Academic journals and articles are collected from ebsco host web research database service. Web sites are also used for collecting data from government publications, statistical institutes, organisation's web sites, company's official web sites and newspapers articles. TAV Ankara Esenboga airport official web site, Turkish statistical institute and Heathrow airport official web site are examples of official web sites.

3.2.1.2 Primary data

Chapman (2005) and McNeill (2005) mentioned that primary data can be collected first hand by the sociological researcher, actually through the use of research methods such as interviews, observations, surveys and etc. Likewise, Houser (2008) highlights that primary data is useful, because researcher can tailor the data collection method to his/her specific needs. Researcher also can define what data exactly will be collected and which tools would be used.

The advantages of using primary research are; it gives greater control for finding and collecting information. Also, information which collected by the marketer is not shared with other, everything keeps private. Pakroo (2010) stated that the best approach is using both primary and secondary researches such as getting information from actual prospects which is referred as primary research and finding and reading what others say about the study that refers as secondary research.

Primary data includes interviews, surveys, focus group, observations and etc. These are all qualitative approach that must be accurate and objective. If results of any method will be biased, then the study would not give the right results. Primary data also collected from both external and internal sources (Saunders et al, 2009).

3.2.1.2.1 Justification of the research

In this study, primary data plays an important role in collecting accurate information about the subject. The subject is analyzing strategic management process and competitive strategies for TAV Ankara Esenboga airport. The most accurate and crucial information can be collected by performing interviews with managers. Therefore, interview is chosen to collect the primary data.

3.2.2 Research methods

Data collected methods such as interviews, surveys and observations allow creating qualitative and quantitative data. Therefore, qualitative and quantitative researches are examined in this part of the report which is called generally research methods.

Research methods section is important for any study, because the choice of methodology will define the way of the study. It should be consistent and suitable for the mechanism of the research. Every study needs specific methods for resuming the research with more accuracy.

Thomas (2003) mentioned that there are two types of methods for keeping research activities accurately; one is qualitative approach and the other one is quantitative approach. Qualitative approaches include describing types of people characteristics and events without doing any measurements. It also explores experiences, behaviours and attitudes by using

focus group or interviews. Beside of that, quantitative approaches' main activity is focusing on measurements of the characteristics displayed by people.

Kumar (2008) stated that quantitative research is focused on generally measurement of amount/quantity. On the other hand, qualitative research is concerned with qualitative phenomenon such as researches for opinion and attitude, researches to examine how people feel and etc.

Qualitative research methods data collection includes interviews such as individual, group, unstructured and semi-structured, observations such as structured, unstructured and participant, documentary analysis, recordings and questionnaires. Methods of data collection, in quantitative research include structured observations, structured interviews, surveys, secondary analysis and etc (Robinson, Walker and Spratt, 2004).

Saunders et al (2009) mentioned critically the distinction between quantitative and qualitative data such as quantitative data based on numbers collection results are standardized data and diagram and statistics are used for analysis. Furthermore, qualitative data based on words, collection results in non-standardized data and analysis managed through the conceptualization.

3.2.2.2 Justification of the research

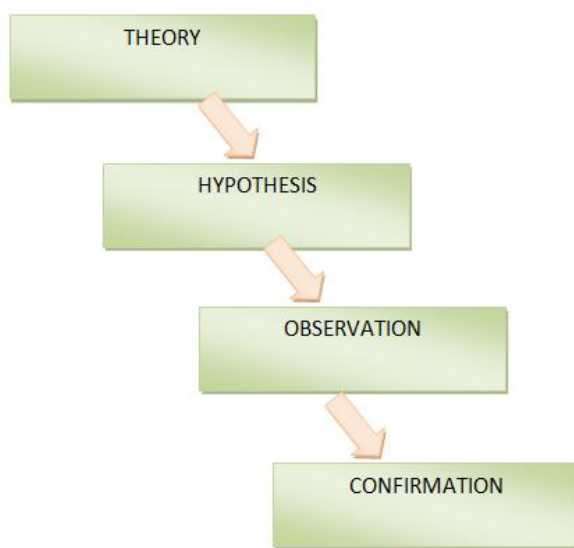
In this study, the author has chosen to do qualitative research. The reason for this is because the importance of strategic management processes in every step and competitive strategies with all dimensions; cost leadership, differentiation and focus could be analyzed by qualitative researches. In strategic management process, developing mission, vision statements, defining goals, current situation analysis and internal environment analysis of airport can be only supported by qualitative research. All theories are examined in detail by using secondary data, but the author needs to combine theoretical information with experiences and opinions from related people. In this study, author need to analyze relevant people's point of view about the subject and to combine it with findings. Therefore, people are interviewed in order to obtain information could be taken as believable reports of their experiences and opinions. After interviewing, outcomes could be analyzed to reach suitable and accurate strategies for the study.

3.2.3 Research Approaches

Orlich et al (2010) mentioned that research approaches can be explained as two main approaches such as deductive and inductive approaches.

Damer (2008) stated that deductive reasoning is narrower when it is compared with inductive reasoning. It is also concerned with conforming hypotheses. It is called as a top-down approach because of observing from general to specific observations.

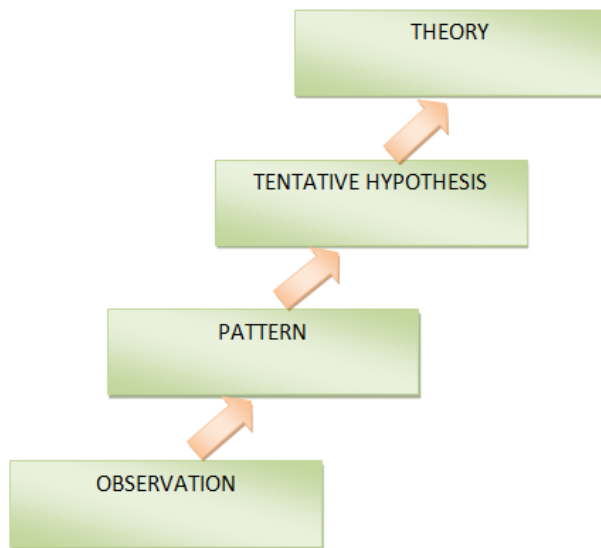
Figure 3.2 Deductive research approaches



Source: Trochim, 2005

Inductive research approaches (inductive reasoning) works from specific observations to general observations and theories. It is like a bottom-up approach. Inductive arguments are generally use observations but deductive approaches based on more certain information such as laws, principals and rules (Saunders et al, 2009).

Figure 3.3 Inductive Research approach



Source: Trochim, 2005

Goswami (2010) described that inductive approach is ubiquitous in human thinking, but by using deductive reasoning, new conclusions can be reached. In contrast with inductive approach, in deductive reasoning, there is only one true answer. He is also mentioned that deductive reasoning is more suitable with quantitative research and inductive reasoning is more suitable with qualitative research.

3.2.3.1 Justification of the research

The author is doing qualitative research, so that inductive approach is selected as research approach in this study. Another reason for using inductive approach is; in this study works start with specific observations to broader generalizations and theories. In this report, analyzing strategic management processes and defining competitive strategies for airport is essential objectives for author. Firstly, theoretical information about all step of strategic management process and generic strategies and airport industry trends are examined in detail. After all these process, pattern part of the study are formed by using primary data. Combining all findings construct the tentative hypothesis. After all, final conclusion part is reached by constructing analysis. This study is carrying out with a case study; this is another reason to apply inductive approach.

3.2.4 Research strategy

Saunders et al (2009) emphasized that research strategy is significant for defining a way for the study, because it would be a guide for research questions and objectives. Some strategy may belong to inductive approach and some are deductive approach, so that the selecting right research strategy is vital.

There are seven different types of research strategies which are experiment, survey, case study, action research, grounded theory, ethnography and archival research (Weber, 2011). Actually, survey and case study are the main research strategies between all of them.

3.2.4.1 Survey

Survey is a popular research strategy in management studies and it always have answers of what, how much, who, where and how many questions. This type of strategy is generally used with deductive approach. Surveys are most used when the collection of large amount of data is needed (Robson, 2007).

Saunders et al (2009) highlights that survey strategy allows researcher to collect quantitative data that can be analyzed by using statistical tools.

3.2.4.2 Case study

Case study is a strategy for performing researches that involves empirical investigation of a specific phenomenon within its real-life context (Robson, 2002 cited in Saunders et al, 2009). Yin (2003) argues that case study strategy helps to gain a rich understanding of the context of the research, because it focuses on single phenomenon. Furthermore, a case study strategy gives a clear answer of “why” as well as “what” and “how” questions.

Thomas (2004) argues that a case study is detailed examination of a real-time example of a class of phenomena. On the other hand, case study would be single or multiple, but the classic application is generally single case. In management and business studies, many of the classic case studies generally based on one or at most two cases.

Dyer and Wilkins (1991) (cited in Thomas 2004) discuss that the essence of case study is in depth analysis of just one case which gives deep understanding of the study.

3.2.4.3 Justification of the research

In this study, the author has chosen to do case study for research strategy. TAV Ankara Esenboga airport is selected as a case study for this report. Case study consists of the company's background, industry analysis for air travel sector and interviews with relevant people. Case study is selected, because analyzing airport industry can be successful in terms of specific example. All strategic management processes and developing generic strategies are conducted by examining this case study.

3.2.5 Data collection methods

As it mentioned before, there are lots of data collection methods for research activities, but the main point is selecting the best method that most suitable with the study. Planning, before selecting the data collection method is crucial for appropriate outcomes of the study (Tomal, 2010). On the other hand, Axin and Pearce (2006) highlights that in research processes, data are the pieces of information which are collected with an effort to find the right answers of research questions. Therefore, data collection is the most difficult and costly steps in research activities.

Houser (2008) stated that primary data collection has lots of methods which are physiologic measurements, psychometric instrumentation, questionnaires, interviews, observations and focus groups. However, the most common used methods are generally interviews and questionnaires.

3.2.5.1 Questionnaires

Questionnaires are common data collection tools are used to define the attitudes or behaviour of large samples. It is a form of containing set of questions especially specific subjects that helps to gather information (Houser, 2008).

Gilham (2000) highlights that questionnaires are one of the easiest way of learning information from people. There are two types of questionnaires could be prepare; open-ended and closed questions. Open-ended questions are generally prepared if the researcher wants to listen participants responses in their own words and also this type of questions answers are depended on participants responses. Open-ended questions are generally

characteristics of qualitative research, but may be included in quantitative researches. On the other hand, Ruane (2005) cited in Houser (2008) emphasize that open-ended questions are generally used in interviews or focus groups data collection techniques, but it can be also used in questionnaires.

In closed questions, answers are predetermined; because of that analyzing the answers would be easier. In this type of questions, there are fixed number of alternative answers that sometimes referred as force-choice questions (Houser, 2008).

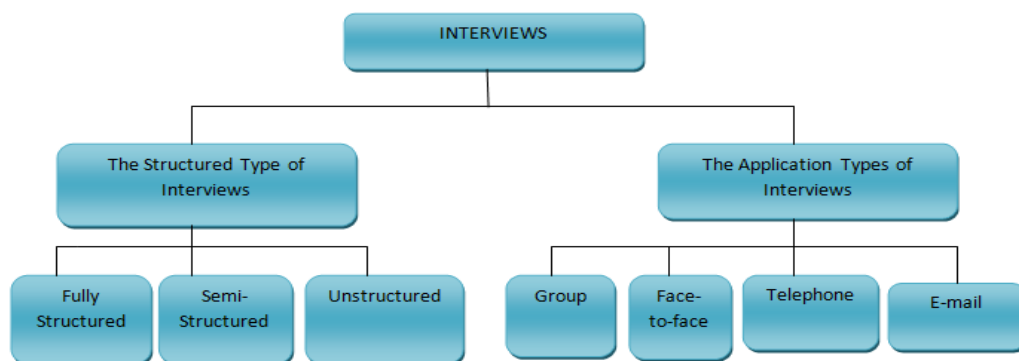
3.2.5.2 Interviews

Houser (2008) mentioned that interviews are data collection methods which the researcher connect with respondents via telephone or face-to-face. Interviews are powerful techniques for action researcher. It consists of asking questions of an individual or group of individuals to collect verbal answers. Interview questions can be open-ended, closed or probing questions, but in structure of interview, open-ended question is preferred mostly.

Furthermore, the important point is before defining the interview questions is identifying what the problem is about. It is vital because information can be gathered from respondent depending on problem (Tomal, 2010).

Interviews format can be structured, semi-structured or unstructured according to needed information. It is important to define the structure of the interview, because it could be a guide how to shape questions that would ask to respondent (Schuh, 2009).

Figure 3.4 Types of Interviews



Source: Robson, 2007

3.2.5.2.1 Structured Interview

Structured interview generally called as formal interviews, because it consists of predetermined questions. In this type of interview, everything happens in narrow pathway, because it is limited to structures. It can be an effective process for researcher, but it does not allow flexibility in collection information (Kumar, 2008).

A structured interview consists of fixed set of pre-designed questions. This type of data collection tools can be suitable for researcher which depends on certain comparative analysis (Tomal, 2010).

3.2.5.2.2 Semi-structured interviews

Schuh (2009) discuss that in semi-structured interview, questions are not prepared in a fixed type; there is a freedom to ask different questions according to respondent's answer. The objective of this type of interview is to explore subject more broadly and give chance to respondents to express their ideas in their own words.

Moreover, Kumar (2008) believe that comparable qualitative data and better reliability could be provided by semi-structured interviews.

3.2.5.2.3 Unstructured interviews

Unstructured interview has compatible strength that researcher is free to arrange structure and content. Researchers are also free to ask any questions to the respondent. Questions are formulating while interview is carrying out (Kumar, 2008).

Levitt and Harwood (2010) describe that unstructured interview is generally used by researcher who does not have enough information about interviewing. It is more formal interview and conversational than other type of interview. On the other hand, unstructured interviews questions are generally open-ended to encourage respondents for collecting proper information from them. The success of interview depends on researchers communication skills

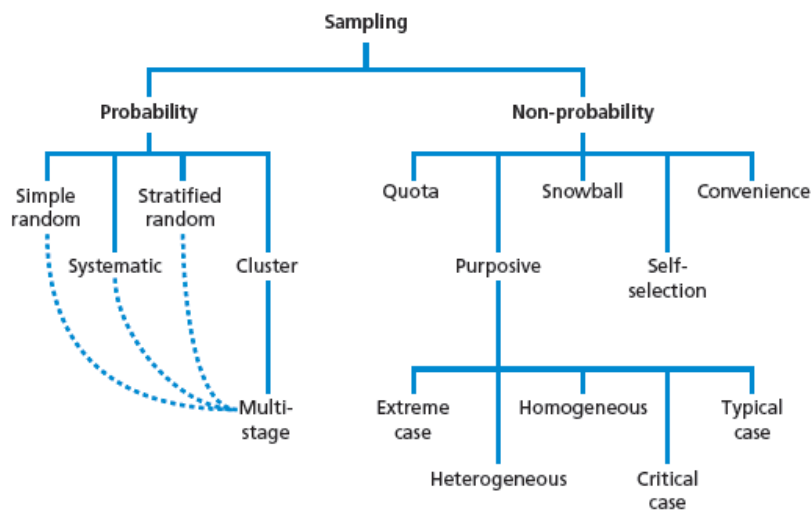
3.2.5.3 Justification of the research

In this study, the author has chosen to conduct interviews as a data collection method. The author chose semi-structured interview, because in this type of interview, researcher can skip the planned order of questions and have a chance to go to new subject according to respondent's response. In this type of interview, there is a chance to perform with group interview, face-to-face interview, telephone interview and e-mail interview. Telephone interview is selected as a type of interview in this study, because there is not any chance to meet the interviewee face-to-face due to the time and distance constraints. The author has prepared its questions with a type of open-ended questions, because it gives more accurate information including feelings, behaviour and opinions about the subject. Open-ended questions also give a chance to collect respondent's true feelings in order to reach accurate answers. Therefore, the author has going to be interviewing with TAV Esenboga airport General Manager Ms Nuray Demirer and TAV Esenboga airport General Manager Assistant Mr Sedat Tümer. For this report, managers and assistant managers' point of view is essential for strategic management process and competitive strategies.

3.2.6 Sampling Technique

Sampling technique is important part of data collection methods. It will be planned to perform interviews, observations, questionnaires and other collection techniques for giving accurate information for the project. Therefore, it is important to decide sample size and sampling technique. It is known that, there are lots of sampling techniques which are divided into two groups: representative/probability sampling and judgemental/non-probability sampling (Saunders et al, 2009).

Figure 3.5 Sampling Techniques



Source: Saunders et al, 2009

As it seen in the Figure 3.5, sampling techniques divided into two parts; probability and non-probability sampling. In probability samples, probability of each case being chosen from population is known and is equal in all situations. On the other hand, non-probability samples, the probability of each case being chosen from the population is not known (Saunders et al, 2009).

Probability sampling is used when the researcher needs more scientific results and purpose of this sampling is selecting the right elements that represent the total population. On the other hand, in non-probability sampling, selected samples represents the similar group of population.

3.2.6.1 Justification of the research

In this study, the author has chosen to conduct non-probability sampling because of the nature of this study. Convenience sampling seems to be more suitable, because in this method, samples are selected according to researcher's convenience. Also this report has time and resource restriction, so that this method could be beneficial for the author. In this report, sample size has chosen as two, because these two people's knowledge is suitable for answering this study's questions.

3.2.7 Research ethics

Saunders (2009) mentioned that, research ethics directly related to questions about how research topic be formulated, design researches, collect data, gain access, process and analyze data and writing research in a moral way.

In order to fulfil ethical requirements of the research, here are some considerations that must be applied carefully. The information which is collected can be used for only academic purposes. Privacy of participants should be protected.

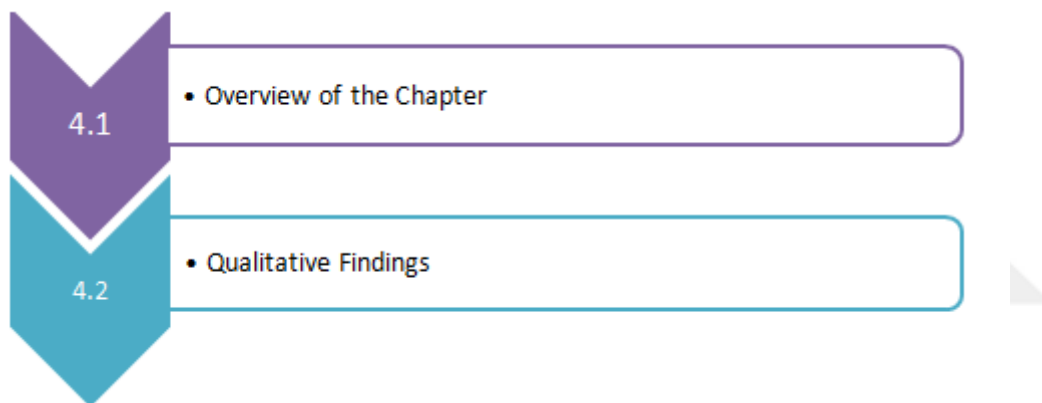
3.2.8 Limitations of the research

The author has faced with some limitations while conducting the study. The first and the most important restriction is time. To perform a successful research, the time is too limited to finish it. Another limitation occurs in interview sample size. It is very difficult to find relevant interviewee with this study and their time is very restricted to talk in depth.

CHAPTER 4

REPORTING OF FINDINGS

Table 4. Structure of the Chapter 4



Source: Created by the author, 2011

4.1 Overview of the Chapter

This part of the study consists of reporting author's findings which came from interviewee's answers by telephone interview. This interview covers 18 main questions about strategic management process, competitive strategies and strategic options for T.A.V. Ankara Esenboga Airport.

The interview questions were supported with the open-ended questions to clearly identify the company's strategy, their mission, vision and future objectives, internal and external factors that affect company's position, competitive strategies to survive in the sector and possible strategic options that they applied in each operation in the airport. In this study,

airport's strategic decision in each operation is crucial for strategic management. Therefore, questions are prepared according to each operation in the airport for collecting proper information from managers. Some questions are thought very confidential, so that interviewees hesitate to answer those questions.

In this report, the interviewees are;

Mrs. Nuray Demirer General Manager of T.A.V. Ankara Esenboga Airport

Mr. Sedat Tumer General Manager Assistant of T.A.V. Ankara Esenboga Airport

4.2 Qualitative Findings

4.2.1 Mission, vision and goals

4.2.1.1 Mission and vision statements

As it mentioned, strategic management process starts with defining company's mission, vision and goals. Therefore, the author begins with a question of defining airport's short-term and long-term objectives, mission and vision statements and goals.

In the interview with Mrs. Demirer, General Manager of T.A.V. Ankara Esenboga Airport, she defines that vision statement is the backbone of any organization; it can be explained as a future picture of the company. She contributes that the airports vision is becoming a hub airport in Anatolia for domestic flights and in Middle East for international flights. Moreover, Mrs. Demirer highlights that mission statement describes generally what the company is doing right now and who the target group is. It is the statement that articulates the firm's purpose both for the public and organization. She also strongly stated that it requires the answer of "Why do we exist". Therefore, she described their mission statement as a creating the most value for stakeholders while operating the airport with focusing on customer-based.

Furthermore, Mr. Tumer, General Manager Assistant, strongly argues that vision statement can be thought as a brand for big companies which operate in a strong competitive market. He also contributes that becoming a brand provides a challenge for the company. The airport's most significant objective is becoming a successful hub airport especially in the

Middle East. He notes that Turkey has historical background with Middle East countries and now relationship between these countries are increasing and has positive relations with them. He also highlights that the geographical location is important for becoming a hub airport and Ankara has this geographical advantage that is located in the centre of Turkey.

4.2.1.2 Objectives

Mrs. Demirer points out that company's objectives focus on visions and try to achieve the organization's strategy and the target. The airport's short term objectives, explains Mrs. Demirer, can be ordered as maximizing income, minimizing outcomes, improving the number of passenger and flight and increasing commercial activities revenues. Although maximizing income could be thought as the best objective for any company, the airport wants to increase its revenue more than they planned in the budget. She also notes that the airports another main objective is focusing their operations with best quality and creating the difference.

On the other hand, Mr. Tumer strongly agree with Mrs. Demirer but he also notes that objectives should be realistic and formed according to company's structure, if any company wants to achieve the success. He believes that if the objectives are defined realistically, it also increased the employee motivation. He expresses that the future objectives are important aspects for airports that defining the suitable strategy to maintain its operations.

4.2.2 Internal and External Environment Analysis

4.2.2.1 Internal Environment Analysis

4.2.2.1.1 Strengths and Weaknesses

After defining company's mission, vision and objectives, internal and external environment analysis should be conducted. Therefore, the author continues with the question about airport's internal and external environment analysis.

Mrs. Demirer highlights that to define the right strategy for any company, they must analyse itself both internally and externally. Internal analysis is important to define the right way for the company. She also admits that, if any company know it's most powerful and poor

aspects, it would be possible to define the accurate strategy for surviving in the sector. Mrs. Demirer notes that new terminal building has renewed with latest technologies and greatest design to provide comfortable and delighted service to passengers. Esenboga airport has unique concept in Turkey that covers both domestic and international terminals in a single building. This provides fast and easy operations within the airport.

Furthermore, Mr. Tumer highlights strengths of the airport that Ankara is the second largest city after Istanbul; it has a population of 4, 5 millions and centrally located in Turkey. It is a significant commercial and political city that is hosting Turkish Government and numerous foreign embassies. He also notes that T.A.V. Ankara Esenboga airport also has a chance regarding on location. It has possibilities to expand, not only in terms of runways, but also in terms of facilities for airlines. DHMI is also planning to build new runway in Esenboga airport, explains by Mr. Tumer, in parallel with the existing ones. This would be a chance to expand the air traffic and passengers in the airport.

Mrs. Demirer explains the weakness of the company can be considered as a lack of any train connections between the airport and city centre. Likewise, Mr. Tumer stated that they have three types of transportation alternatives; by bus, by own car or taxi and by Havas. He continues that but train connections are crucial for airport's effectiveness.

4.2.2.2 External Environment Analysis

The author would like to ask external environmental factor for the airport, because opportunities and threats can be generated by the outcomes of this factors. It includes political, economical, social, technological, environmental and legal factors. Therefore, the author asked how all of these factors affect the airport's operations in the sector.

Due to the importance of political and economical factors, Mrs. Demirer answers those questions and other factors are answered by Mr. Tumer.

4.2.2.2.1 Political Factors

Mrs. Demirer explains that according to government's privatization legislation, TAV Holding has a chance to operate some airports in Turkey with build-operate-transfer model. She admits that TAV airports are the best examples of this airport privatization legislation in

Turkey. She also stated that, all government legislations have positive effects on their operations; their passenger traffic is increasing year by year.

Furthermore, the government is planning to extend its airport operations, explains Mrs. Demirer, with constructing regional airline transportation which covers some cities in Turkey. She highlights that this could be improve the domestic flights and passengers in Ankara Esenboga airport as well as in the country.

4.2.2.2.2 Economic Factors

Mrs. Demirer notes that although the economic crisis in the world, they maintain their operations successfully. She also mentioned that their passenger traffic has increased 12% in 2010. This shows the TAV Ankara Esenboga airport's strongest position in the sector.

Mrs. Demirer also concludes the economic factors with government's ticket price regulations. She stated that this regulation enables airline companies to determine the ticket prices according to market conditions. She believes that this creates a new market in the air transportation industry in Turkey.

4.2.2.2.3 Social Factors

Mr. Tumer explains that economical welfare can be considered as an important factor for usage rate of air transportation. It completely affects the expenditures of more luxurious products and services. He also mentioned that economical welfare has increased recent years in Turkey. On the other hand taxes which are taken from airlines per ticket were decreased; this improves the passenger demand on air transportation.

4.2.2.2.4 Technological Factors

Online ticket service is considered as a challenging development for air transportation sector explains by Mr. Tumer. It enables passenger buy their tickets when they are sitting in their home. He believes that it encourages people to use the air transportation in Turkey.

4.2.2.2.5 Environmental Factors

Mr. Tumer believes that the environmental factors are vital for any airport to prevent any pollution and huge energy expenditures. T.A.V Airports try to use energy resources as well as possible that in Ankara Esenboga airport, cogeneration system is used natural gas efficiently convert it into electrical energy and hot and cold water. He also notes that by using this cogeneration system, airport acquired three different energy sources which all are used for airport benefits.

4.2.2.3 Opportunities and Threats

According to external environmental factors, opportunities and threats for the airport could be a chance to convert them into airport's strengths. Therefore, the author asked the opportunities and threats after the external environment analysis. But, Mr. Tumer and Mrs. Demirer are quite hesitating to answer the threats of the airport. They said this is a confidential question for their companies and they don't want to answer it.

Therefore, Mrs. Demirer explains the opportunities for the airport as annual growths of air traffic especially with airline ticket price tariff regulations can be considered as an opportunity for the airport sector. Also, she believes that regional airline transportation could be an opportunity for the airport, more airports in the country, more air traffic.

4.2.3 Corporate-level strategies

The study needs to be continuing with strategy formulation after defining mission, vision, objectives and internal and external environment analysis. Therefore, the author asked a question about corporate level strategies for the airport as regarding the being a hub airport.

Mrs. Demirer explains first the corporate level strategy as a selection of the business in which the organization operates and development of the business portfolio. She also believes that at this level, strategies are focused on coordination of all activities in an organization. It is also about the creating value through the business. She especially declared their strategy is becoming a hub airport in Middle East, Far East and Africa. She explains that

their strategy is supported by strong cultural relationships with these countries, historical backgrounds and always has capabilities to operate in this market.

Mr. Tumer agrees with Mrs. Demirer's ideas and he adds corporate level strategy collects and manages successfully the different group of business in the same portfolio. He notes that one of the businesses that they concentrate on introducing their company's in international aviation platform to achieve their strategy. Moreover, they maintain their relationships with universities, private sectors, government agencies and non-governmental organisation to convert this strategy into a part of government external policy.

4.2.4 Business-level strategies (Competitive strategies)

4.2.4.1 Revenue streams

In business-level strategy, Porter's competitive strategies are used to define right strategy for the company. Therefore, in this part, author focuses on the questions about competitive strategies. The author begins with a question "What are the main sources to contribute revenue growth? Does it more coming from passengers, duty-free activities or air freight?" It is a significant question before selecting the right strategy for the airport.

Mrs. Demirer highlights that government made a tender for Ankara Esenboga airport according to build-operate-transfer model and TAV Holding undertook the operation of the airport since 2006. Due to this reason, Mrs. Demirer explains, they do not make a decision by themselves about aeronautical areas. Therefore, incomes from aeronautical activities increase, if passenger and flight traffic increases. However, she admits that incomes from commercial activities play an important role in company's profit. Therefore, it is crucial to extend the catering areas and shopping facilities in the airport.

Moreover, Mr. Tumer agrees with Mrs. Demirer about the restriction subject for aeronautical activities. He also notes that commercial areas nowadays considered as a challenging development in the world's airport. Therefore, they are also focusing on more commercial activities that they try to encourage passengers to use the catering areas, duty-free shopping, cafes, restaurants, and car parks and so on.

4.2.4.2 Airline agreements and low cost carriers

Airline agreements and low cost carriers have great importance on airport's strategies, so that the author continues with the questions about both airports' strategies for attracting airlines and opinions about low cost carriers.

Mrs. Demirer explains that airports and airlines can be considered as twins that they could not operate without them. Airlines have remarkable importance on airport that aeronautical activities revenues are coming from airlines. Non-aeronautical activities revenues are also come from airlines even if it is indirectly. Therefore, she points out that they are trying to do the best for attracting airlines that they participates in international aviation expos and introduced their airports and its capabilities, advantages to the whole sector.

Moreover, Mr. Demirer agrees with the Mrs. Demirer and adds that their strategy is becoming a hub airport, so that national carriers have greater importance on their operations. He also notes that agreements with national carriers both domestically and internationally would be a key factor to extend the airport operations as a hub (Döring ref ver). They are always searching and following the latest technologies for integrating it to the airport to attract more airlines and providing safer take off and landing operations for them.

4.2.4.3 Low cost carriers

Mrs. Demirer gives an explanation that after the regulations about airline ticket prices; it enables airlines to define its price according to the market conditions. This encourages airline companies and extends the point-to-point travelling with low cost carriers' concept. She also adds that low cost carriers' costs are lower than other national carriers. Therefore, they generally select the airport which can give the suitable prices for this type of airlines. However, Mrs. Demirer admits that low cost carriers improve the passenger and flight traffic, but they have a tender with DHMI so that they could not change their standard tariffs. Likewise, Mr. Tumer also notes that a nowadays new trend in aviation industry is low cost carriers that lots of successful examples can be seen in the world. However, He argues with Mrs. Demirer's ideas and adds lots of demands are coming from low cost carriers but they unfortunately have to reject these demands.

4.2.4.4 Air freight

The author conducted a question about air freight activities in the airport, but the interviewees are quite rush with answering this question. Both Mrs Demirer and Mr Tumer is quite hesitate about this subject. They mentioned about the growth of air freight activities in Ankara Esenboga airport which is increased 21% compared to the last year. Mrs. Demirer admits that they are planning to develop some strategies to improve its air freight traffic in the airport.

4.2.4.5 Competitive strategies

The author conduct a question about competitive strategies for the airport which is “Could you tell me what is the fundamental competitive strategy for your business? Is it becoming a cost leader in the sector or differentiate the service?” This can be considered as the most critical question for this study.

Mr. Tumer highlights firstly that competitive strategies are key factors for any company who wants to take place in the competitive business. Even if the company operates as a monopoly in its own sector, it is always a possibility to lose the position in its own sector. Therefore, he also introduces the idea that understanding the nature of the business and selecting the proper competitive strategy is the key point for managers. Mr. Tumer points out that as it mentioned before, the airport is operating with build-operate-transfer model, so that there could not be chance to change the cost strategy according to just their needs or decisions. He also stated that in airport sector, cost leadership strategy generally would not be suitable due to the fixed location restrictions. There are generally weak relations between airport costs and prices at most airports.

Mrs. Demirer strongly agrees with Mr. Tumer’s idea about the cost leadership strategy in the airport. She also notes that cost leadership strategy aims to reduce cost such as low location cost or low cost inputs. Moreover, defining the cost lower than its original price would possibly a risky decisions for managers who intend to increase its profit. Mrs. Demirer adds that differentiate is the main strategy for TAV Ankara Esenboga airport to survive in the sector. Differentiation could provide by different operations in the company. She also notes that creating a differences always gain an advantage for companies. In the airport, they use

differentiation strategy that it has a unique terminal building in Turkey; both domestic and international terminals located in the same building. This allows passengers to complete their process and pass through the air side within 15 minutes. She adds that within the airport, business class, first class, economy class and TAV passport card members are used different check-in counter, different passport control point and separate waiting rooms in their airport. This model give some privileges for passengers who willing to pay more than original price.

Likewise, Mr. Tumer points out that, competitive strategies are changing also according to the airport's locations. As it seen in the world's successful airports, each of them have different strategy to compete in the sector. He expresses that for TAV Ankara Esenboga airport, differentiation is the main strategy for them. He concludes that by using latest technologies, passenger's luggages are delivered in three minutes in the airport. This automatically increases the passenger's satisfaction from the airport.

4.2.5 Strategic Direction

After competitive strategies are defined for the airport, it is supported by marketing related decisions for achieving the strategic objectives. Therefore, the author asked questions about strategic directions for the airport. The author begins with a question "Could you tell me how you develop your market and services in the sector?"

4.2.5.1 Market development

Mr. Tumer points out that nowadays competitive market, companies need to develop its service or product in parallel with the trends. Defining the strategy for competition is a key factor to survive in the sector. Therefore, market development, explains by Mr. Tumer, can be thought as a best strategy who wants to growth its business. He notes that they use market development strategy to extend its operations both in domestic and international areas. He points out that Turkey has a great infrastructure for thermal tourism especially in the Ankara and its nearby cities. He adds that for that reason, Ankara Esenboga airport could be a transit point for encouraging thermal tourism in these regions. He concludes that developing the market in this direction would probably improve the passenger traffic in the airport.

Mrs. Demirer also points out the importance of market development. Developing a strong market development strategy is a significant issue for company who focusing on growing. She also highlights that this strategy has some risks; before deciding the developing the market strategy, it is vital to analyse the companies' capabilities and its position in the sector. She gives another market development strategy that is the focusing on pilgrimage passengers. They try to improve flights for pilgrimage from/to Ankara Esenboga airport. She claims that generally passengers who intend to go pilgrimage are always old people, so that the airport operations should be fast track. Their airport, she continues, has this capability that is mentioned before; one can completely finish its all process and pass through the air side in 15 minutes. Therefore, she concludes that they are working to develop their market for this type of passengers.

4.2.5.2 Market penetration

Mrs. Demirer highlights that if any company intend to take more places in the market, then they need to improve its services effectively. No matter if the company is a monolop in its sector, it must still focus on improving and developing themselves. She notes that as she mentioned before, one company would be a strong brand, but the point is to maintain the position in the same level. Therefore, she mentioned that they are trying to apply market penetration strategy in each business operations in the airport. She also highlights that T.A.V. Ankara Esenboga airport is unique in the region which it operates. However, she notes they do not act as a monopoly, they always developing itself in the market. TAV Passport card which they introduced last year, Mrs. Demirer explains, is the best example that they conduct for market penetration.

Furthermore, Mr. Tumer agrees with Mrs. Demirer opinions about market penetration and he adds TAV Passport card is one of the key factors which enable them to improve its services in the existing market. He also adds that this card creates a difference of their services from other companies operations in this sector. He notes that they present first class services for passengers with this card. The benefits of card can be ordered as different check-in and passport control points, separate waiting rooms with more comfortable and luxurious and also lots of discounts in catering, duty free, parking areas and other commercial areas.

4.2.5.3 Diversification

The author conducted a diversification question about commercial areas which have great importance on airport's revenue.

Mrs. Demirer highlights that diversification is a different subject especially for airports. It can be explained as the movement of operations through the new service and new market. Therefore, she highlights the risks of this strategy with this definition. She notes that in recent days, diversification in the airport provided with opening art exhibitions and doing social activities in terminal building. This provide passengers to spend their time in the airport with more enjoyable. Passengers enjoy their waiting time with joining these enjoyable activities.

Moreover, Mr. Tumer agrees Mrs. Demirer's ideas and adds that diversification can also provided in the airport by building new shopping facilities in the airport like world's best examples. He also notes that if the company succeed to integrate the diversification strategy in their business, gaining competitive advantage would not be avoidable.

CHAPTER 5

DISCUSSION OF FINDINGS

Table 5. Structure of the Chapter 5

5.1	• Overview of the Chapter
5.2	• Strategic Management Process
5.3	• Strategy Formulation
5.4	• Strategic Directions

Source: Created by the author, 2011

5.1 Overview of the Chapter

From the data gathered through the use of qualitative methods, the following chapter will comprise of the critical analysis of the findings which come from previous chapter. The discussion will be covered firstly analyse the findings of strategic management process and secondly competitive strategies and strategic directions through the information gathered from the interviews with General Manager and Assistant General Manager of T.A.V. Ankara Esenboga airport.

5.2 Strategic Management Process

As it mentioned before, strategic management process start with defining company's mission, vision and objectives of the company. The author evaluated the strategic management processes each level by analysing the interviewee's answer.

5.2.1 Defining mission, vision and objectives

5.2.1.1 Defining mission and vision statements

It was found through the interview with Mrs. Demirer that the author also observed that the vision statement can be considered as company's future position in the sector. The importance of vision statements is stated in previous research by Ledlow and Coppola (2011) "Vision statement can be explained as a dream of what organization intends to become. It is also described as a picture of the company in the future and it is a framework for strategic planning process."

The author observed from both interviewees' answer that managers are both aware of the importance of vision statement and they are able to see its position in the future. Their vision is to become a hub airport in Anatolia for domestic flights and in Middle East for international flights. Also, it was found from Mr. Tumer that geographical location plays an important role for becoming a hub airport. One of the requirements of being a hub airport is proper geographic location for providing best flight transfer from/to the airport as also highlights by (Kraus and Koch, 2006) in their research "becoming a hub airport is not as much as easy that operating small airports. Firstly, a suitable geographic location is required for airlines to be a good transfer point.

From the interview with Mrs. Demirer, mission statement can be explained as a statement of company's core business, its target groups and its existing objectives as also mentioned by (Niven, 2008) in his research, "a good mission statement should answer the following questions: why the organization exists and what it hopes to achieve in the future?"

Mission statement of the airport are founded that creating the value for airport's all stakeholders as operating the airport as usual with concentrate on the customer point of view.

5.2.1.2 Defining the objectives

The author noted in the interview with Mr. Tumer that objectives are related with company's structure, its nature and it should be realistic as also mentioned by (Ledlow and Coppola, 2011) in their research "objectives are general statements that company should define properly. It translates more general strategies of the vision into specific statements by focusing the company-based resources for achieving the strategy and to build the vision."

The author observed in the interview that objective of the airport can be ordered as a maximizing income, minimizing outcomes, increasing passenger and flight number and increasing commercial activities revenues. It was also noted that the main objectives of the airport are defined as the focusing on their operations with creating difference. Airports also intend to increase its revenue more than they planned in the beginning. The author observed that managers tend to more focus on commercial activities objectives for their long term strategies.

5.2.2 Internal and External Environment Analysis

5.2.2.1 Internal Environment Analysis (Strengths and Weaknesses)

From the interview with Mrs. Demirer if the strengths of the company are well-known, then it is easy to construct a good competitive strategy to use against its rivals as highlighted by (Daft and Marcic, 2011) in their research "strengths are company's positive characteristics that company may use it to achieve its objectives."

Mrs. Demirer reported in the interview that the airport's most powerful aspect is its new terminal building which is a unique in Turkey that covers both domestic and international terminals in a single building. This provides fast operation within the airport. From the interview with Mr. Tumer, the author observed that the airport other strength is coming from the political importance of the city, Ankara, is hosting Turkish Government and various foreign embassies.

5.2.2.2 External Environment Analysis (Opportunities and Threats)

From the interview with Mrs. Demirer and Mr. Tumer, external environment analysis was observed while defining some factors such as political, economical, social, technological and environmental. As it can be seen in the previous research as mentioned by (Gillespie, 2007) "macro-environmental factors such as tax changes, government policy, economic crisis, social welfare, technological developments and exchange rates can be all effects the decision makings of managers. Because of that PESTEL analysis which refers as political, economic, social, technological, environmental and legal. It gives a general idea about the market which any organization operates in the sector."

5.2.2.2.1 Political Factors

From the interview conducted by Mrs. Demirer regarding the political and economical factors, the author observed that government airport privatization legislation can be considered as political factors that have positive effect on the airport in the world as also mentioned by (Gillen et al, 2004) in their research "Change in the airport privatization also changes the market point of view; nowadays airports are now operating more commercially and profit oriented."

Government's planning about regional airline transportation is observed by the author as political factors which would directly increase the domestic flights in Turkey as stated in chapter 2 by (Sarilgan, 2007) in his research "government decided to extend its regional airports, because passenger demand increase in domestic flights, increase in gross domestic product and economic ticket price in domestic flights."

5.2.2.2.2 Economic Factors

The author observed in the interview with Mrs. Demirer that economic crisis can be considered as economic factors, but T.A.V. Ankara Esenboga airport has increased 12% in 2010 as also mentioned by (Birdal, 2010) that world's air traffic has decreased, Turkey total air traffic has increased 5,4% in 2009 and it increase to 15% at the end of August 2010.

Mrs. Demirer also reported in the interview that government's ticket price regulations have positive effects on air transportation industry that creates a new market in the sector as

highlighted by (Cetin and Oguz, 2011) in their research “In 2003, the government decided to change the price tariff legislation so as to support Airline Company’s benefit. This law provide airline firms to determine prices according to competitive market condition.”

5.2.2.2.3 Social Factors

The author realized from the interview with Mr. Tumer, economic welfare has great importance on air transportation. Also, the author reported that by decreasing airlines ticket taxes, it increased the passenger demand directly.

5.2.2.2.4 Technological Factors

It was found through interview with Mr. Tumer about technological factors that online ticket service could be considered as the recent trend in air transportation sector which increases the passenger demand to choose the air transportation in Turkey.

5.2.2.2.5 Environmental Factors

From the interview with Mr. Tumer, pollution and energy expenditures take into consideration for environmental factors. The author realized that T.A.V. Ankara Esenboga airport try to use energy resources more efficiently with cogeneration system.

After all, from the opportunities and threats perspective of the airport, the author in the interview with Mrs. Demirer and Mr. Tumer noted that when the opportunities would turn into strengths as the company, this could give chance to gain competitive advantage as also mentioned by (Gilligan et al, 2009) in their researches “Company should gives importance on its opportunities, because it highlights new areas for gaining a competitive advantage.”

The author noted that the opportunities for the airport considered as the airline ticket price tariff regulations and regional airline transportation in Turkey. However, the author observed that managers hesitated to answer the threats factor for the airport.

5.3 Strategy Formulation

From the interview conducted with Mr. Tumer and Mrs. Demirer about levels of strategy, the following points were evaluated:

5.3.1 Corporate-level strategies

The author observed from the interview with Mr. Tumer and Mrs. Demirer that corporate level strategy includes managing high-level decisions that are about company's core business and long-term objectives. According to Collis and Montgomery, (2005) as stated in part 2.3.3 that "corporate strategy's purpose is more focus on value creation, second it concentrates on firm's multimarket objectives and finally it shows how company manage the business within corporate hierarchy."

From the interview with Mrs. Demirer and Mr. Tumer, top managements are completely aware of their position in the sector and they define a broad corporate level strategy which is becoming a hub airport in Middle East, Far East and Africa. Having said this, Mr. Tumer reported in the interview that corporate level strategy in the airport supported by resources that comes from strong cultural relationships with Middle East, Far East and Africa, historical backgrounds with these countries and its own capabilities within the sector. As it is confirmed by (Hutt and Speh, 2010) in section 2.3.4.1 that "in corporate level strategy, managers need to answer some basic but essential questions such as what the company's core competencies, what the company's position in the business and how company use resources to achieve its objectives."

The author realized that, the airport is working to actualize their strategy especially in international aviation platform to introduce their capabilities and resources to all worlds.

5.3.2 Business-level strategies

The author realized from the interview that in this level of strategies, company should know which part of the business is more profitable to maintain the position in the sector. It is necessary to define a right competitive strategy for the company as also highlighted by (Hutt and Speh, 2010) in their research "it analysis and gives broader strategy to company for gaining competitive advantage."

5.3.2.1 Revenue Streams

The author observed that airport revenues come from both aeronautical and non-aeronautical activities as mentioned by (Wald et al, 2011) in their research that

“Aeronautical activities includes aviation’s natural core activities such as airline take-off and landing activities, passenger check-in process, aircraft maintenance and so on. However, non-aeronautical activities include all commercial area in the airport such as duty-free, car parking, catering areas and so on.”

From the interview with Mrs. Demirer, the airport has operating with build-operate-transfer model by making tender with government in 2006. Therefore, aeronautical revenues are restricted by these agreements, so that it could increase if the passenger and flight traffic increases. The interview with Mr. Tumer, the author realized that most of the airport’s revenue comes from commercial activities as also mentioned in section 2.5.2 by (ACI, 2007) that “commercial areas have significant role on airport revenue that in large and medium airport’s revenues 50% percentages come from retail activities.”

It was observed that commercial activities play an important role in the airport that they try to concentrate on expanding catering areas, duty-free shops, opening new shops and other activities which have possibility to improve its activities.

5.3.2.2 Airline agreements and low cost carriers

The author conducted a question about airlines to construct a framework that shows how it will affect the airport’s competitive strategies in long-term.

In the interview with Mrs. Demirer, between airports and airlines, there is strong relationship that could not be ignored as also highlights in the previous research section 2.5.5 (Postorino, 2011) in his research “airlines are the most significant stakeholders of airports. Airports could not be an airport without any airlines. Therefore, airport-airline relationship should be examined in detail.” From the interview with Mr. Tumer, it was noted that without any national carriers in the airport, becoming a hub airport can be just a dream as it highlighted by (Döring, 2009) in his research “national carriers have significant importance on hub airports, because they choose the airport, not airport choose the airline, in order to perform its hub operations.” It was also noted that the airport has always been working on attracting the airlines with describing its geographical advantages, technical and operational capabilities in all international and domestic aviation expos which provides them to be a hub airport.

However, from the low cost carrier perspective, the author in the interview with Mr. Tumer and Mrs. Demirer observed that low cost carriers have great importance on today's aviation industry as confirmed by (Minkova, 2011) "LCC gives huge number of passengers for the airport; air traffic increases rapidly and positive economic effect occurs on tourism industry."

The author realized that the airport could not change the price tariffs according to LCC due to the agreement with government. Therefore, this causes LCC demands are generally not accepted for Ankara Esenboga airport.

5.3.2.3 Competitive strategies (Cost leadership, Differentiation and Focus)

The author observed that in the business level strategies, managers make decision about competing with its rivals as also mentioned by (Witcher and Chau, 2010) "a business level strategy helps to identify a strategic choice for an organization in order to define the approach would be applied to gain competitive advantage in the sector."

Before deciding the right strategy for the airport, Mr. Tumer reported in the interview that each airport has different strategy to compete in their region as also described in section 2.5.5.1.1 by (Graham, 2008) that "Airports and their strategies can be varying from one airport to another. Therefore, success strategies for airports could not be generalized. It is changing according to airport's nature and its target passengers." It was also highlighted in the previous chapter that world's successful airports have different strategy that is mentioned in previous chapter in section 2.5.5.1.1.

It was noted that the interview with Mrs. Tumer, competitive strategies are needed to develop for any company which aimed to maintain its operations in the competitive business world. From the cost leadership perspective the author in the interview with Mr. Tumer noted that it is not generally defined as a competitive strategy for the airport. As it mentioned before, the airport is bound to government with restrictions about defining the cost in each operations in the airport. Therefore, cost leadership strategy is not suitable for the airport.

Furthermore, the interview with Mrs. Demirer, it was realized that cost leadership strategy requires applying low costs in the sector as highlighted in section 2.3.4.2.1.1 by (Goldman

and Nieuwenhuizen, 2006) “business intends to be a low cost leader in the sector against its competitors and its main target is winning the largest market share in the sector.” However, it was analysed that due to the fix location consideration, cost leadership strategy generally not suitable for airports.

From the differentiation perspective in the interview with Mrs. Demirer, the author observed that differentiation strategy is based on producing different product/ services which enables company to compete strongly with its competitors as also mentioned in previous research by (West, Ford and Ibrahim, 2010) in their research “Differentiation strategy is different than cost leadership strategy that it just concentrates on how to create a different service or products to its customers.”

It was also noted from the interview with Mrs. Demirer that airport’s differentiation strategy creates a different concept from other airports that the design of the airport is unique in Turkey. It covers both domestic and international terminal in the same building which enables passenger to finish and pass air side within the 15 minutes. It has also different procedures that are construct for business class, first class and TAV passports members. It was also observed that baggage delivery in three minutes in the airport creates privilege for airport’s passengers.

5.4 Strategic Directions

5.4.1 Market development

It was found through the interview with Mr. Tumer that market development is the critical strategy for companies who intends to grow its business in new markets as highlighted in the previous research by (Botten, 2009) “market development strategy, company intends to growth by utilizing its existing products/services to new market/customer. It can be selling in new geographical regions or new market segment.”

From the interview about the market development perspective with Mr. Tumer, it was noted that the airport could be a transit point for thermal tourism in Ankara and its regions which have great infrastructure. Both domestically and internationally, they intend to be a hub for

this tourism. It was observed that developing the airport market regarding with this subject would probably increase the passenger traffic.

However, in the interview with Mrs. Demirer, it was observed that airport's another market development strategy is concentrating on a transit point for pilgrimage passengers. The airport tends to improve its market for Hadj and Umrah flights while becoming a transit points for these regions.

5.4.2 Market penetration

The author observed from the interview with Mrs. Demirer that one choose market penetration strategy to improve its operations in the existing market as mentioned by (Graham, 2008) that "it provides any organization to use their product or services more effectively and actively in the sector."

It was found through the interview with Mrs. Demirer that if the aim is penetrate the market, manager should focus on each business in the organization. The airport also conducts a market penetration strategy by taking considerations of this concept with loyalty cards named as TAV Passport. It differs in the market and gives lots of privileges to its members.

From the interview with Mr. Tumer, it is the point that in market penetration strategy, company needs to develop itself in order to maintain and strengthen its position within the sector. TAV Passport card corresponds to market penetration in the airport. It was found that with this card, member have great numbers of advantages in each operations within the airport such as different check-in and passport desk without any queue, separate waiting rooms with designed more quality, discounts for shops, cafes and bars and so on.

5.4.3 Diversification

From the interview with Mrs. Demirer that diversification is differ from other strategic directions that it tends to operates in new markets with new product/service as confirmed in the previous research by (Stone, 2001) that "it requires both new market and new product/service besides the company's core business. It diversifies companies business into new market with new product."

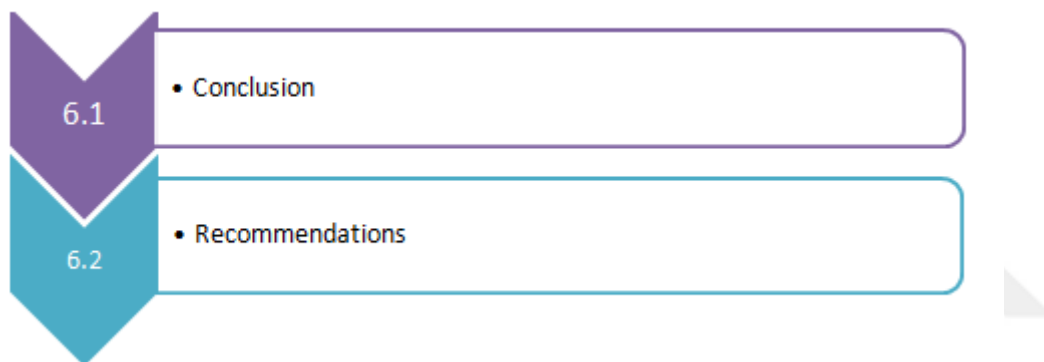
It was also found that the airport has greatly focuses on diversification strategy about improving its commercial activities with different concepts. Having said this, Mrs. Demirer reported in the interview that holding exhibitions and conducting social activities in the terminal building corresponds to diversification in the airport.

On the other hand, from the interview with Mr. Tumer, it was observed that constructing shopping facilities in the airport is new trend within the airport sector as mentioned by (Timothy, 2005) in his research that “airports are now not just a transit point for passengers, it is turning into shopping centres. In recent days, several international airports become major shopping centres for travellers such as Heathrow, Dubai, Singapore and Frankfurt.” Having said this, Mr. Tumer reported that the airport try to extend its services regarding as the shopping facilities concept with more brands shops, large duty-free shops, more cafes, bars and so on.

CHAPTER 6

CONCLUSION & RECOMMENDATIONS

Table 6. Structure of the Chapter 6



Source: Created by the author, 2011

6.1 Conclusion

In this study, strategic management process is evaluated as a tool for defining the right strategy which is a key factor to improve company's performance and provides a competitive advantage against the rivals. At that point, competitive strategies become a part of a strategic management process and it enables the company operates as a leader in its own sector.

For understanding the strategic management process and competitive strategies in real world example, case study is chosen as a TAV Ankara Esenboga Airport which is located in the centre of Turkey. In this research case study is chosen as an airport, because the author intends to understand the nature of airport sector, its strategies and how to apply their

competitive strategies in their businesses. It is widely known that airports are generally acting as a monopoly in their region, but in this research it is clearly understood that the reality is different; there is still competition within the sector.

This study intends to reach its aim by utilizing the objectives which are listed in the beginning of the research. To draw a detailed analysis of current literature review related with strategic management process and competitive strategies approaches are the first objective of this study. Therefore, the analysis starts with examining the literature review.

In this study, comprehensive literature review is carried out to develop a knowledge base of the strategic management process and competitive strategies clearly. It can be clearly concluded that if an organization aims to utilize successful business in the sector, it is significant to define firstly its position for today and for future. In other words, what the company's core business is now and what it is planning to be in the future that calls mission and vision statements. It is vital to analyze company internally and externally with its capabilities and weaknesses to see the current situation in the competitive business. External environment has also great importance on company's business to maintain its position with take into consideration of developments outside the company's environment. Strategic management process covers these analyses in order to reach the right strategy for competing in the sector. In the literature review part, theoretical background about these processes is given in detail. After the environment analysis, strategy formulation part has importance on the study. Strategic decisions especially regarding on competitive strategy has great importance on this research. Therefore, this part concludes with the understanding of the competitive strategies and strategic directions. Porter's competitive strategies which are cost leadership, differentiation and focus are evaluated in this research. The author realized that competitive strategies are necessary for each business sector to gain a competitive advantage. This part is concluded with strategic directions supported by Ansoff's matrix to give a suitable pathway for each operation in the airport.

It is realized that, it is important to take into consideration of the industry which company operates. Therefore, airport sector, its nature, new developments, best practices in the world and sector analysis in Turkey has mentioned in the recent trend part. The airport sector has always changing and strong competition regarding as the new trends. From the

research in recent trends part, it is realized that airport sector has faced with great revolutions within the years. Airports should be aware of the world new trends, because these trends could possibly affect the airport's strategies.

The research objectives about analyzing and examining the strategic management process and competitive strategies have addresses in the reporting of findings and discussion of findings chapter. In order to adopt these strategies for the airport, the author conducted interview with general manager and general manager assistant of the airport.

From these interviews, it has been realized that strategic management process has great importance on airport's operations. Even if the airport's operations seem to be just enabling the air transportation activities, it is more than that. It has observed from the interview that, manager need to look from a broad perspective. When deciding the mission, vision and objectives for the airport, each process should take into consideration. It has realized from the literature review part, mission, vision and objectives of the company must be decided in parallel with each other. From the interview with managers, it can be easily seen that the airport has proper mission, vision and objectives with each other. According to managers, their vision is to become a hub airport both domestic flights within the country and international flights in Middle East region. It encompasses all activities in the airport that if they would become a hub airport, then both aeronautical and non-aeronautical activities would be improved in parallel with increasing passenger number. It is directly related with the objectives which are maximizing income, minimizing outcomes and increasing passenger and flight number and improving commercial activities revenues.

In this research it has been understood that environmental analysis has an important role for developing the right strategy. It has been realized that the airport is aware of its strengths and weaknesses which are directly affect the strategy. It has also observed that, external environmental factors directly affect the airport's operations.

It has realized that competitive strategies and strategic directions take important part in the airport's operations. Each strategy in the airport decided according to company's position in the sector, its nature and capabilities. According to findings from primary research, there is an absence of utilizing the each competitive strategy effectively in airport operations. This is

indeed a root cause of the issue related to become a hub airport. The author realized that the airport do not utilize cost leadership strategy within its operations. From the manager's point of view, there could not any chance to define the costs of any operation in the airport without any agreement with government. As it mentioned in previous research, low cost carriers play an important role on improving passenger traffic in the airport. Even if the managers aware of these developments, they could not change the price tariffs, so that it is very difficult to improve the passenger and flight traffic. In my opinion, the airport cost leadership strategy can be a key factor for improving the operations.

On the other hand, differentiation strategy is implemented successfully in their operations. It has observed that the airport differ from others by design of terminals which covers both domestic and international terminal in the same building. Fast track process in each part of the airport process creates differences in the sector. Today, it enables easy access within the airport and it would also provide easy access when transit flights increases. The author has observed that this strategy is directly related with the objectives of airport. It has examined that, even if the differentiation strategy is considered as a competitive strategy for the airport, it has still need to develop for other operations.

From the findings of the research, it has observed that focus strategy has not mentioned by managers. The airport just focus on differentiation, it ignores other competitive strategies which prevent some issue related with its objectives. In my opinion, even if the cost focus strategy seems to be not possible for the airport, differentiation focus strategy would be considered in order to reach the objectives.

From the strategic directions perspective, it has found that the airport try to evaluate and utilize each strategy by changing the market, changing the service or both. It has observed that the airport try to utilize market development strategy by concentrating on different passenger segment on different market. From the point of view of market development, it has realized that company tend to develop its market but it is still just a plan.

From the perspective of market penetration, the airport has adopted it successfully by airport loyalty card. The airport has utilized the market penetration in passenger point of view. The author observed that, generally market penetration directions may be relevant

for airports which follows a focus strategy will particularly interested in market penetration. Having said this, the airport has not mentioned any focus strategy, but they just concentrate on differentiate itself in every respect of operations in the airport. This could give a chance to improve itself in all businesses that they utilize.

With respect of diversification, it has observed that the airport has great strategic ideas about diversification its operations especially in the commercial areas. The author realized that, because of the restrictions, the airport has always focused on developing commercial areas. Therefore, improving these activities may gain competitive advantage within the sector. From the research, it can be clearly perceived that existing diversification system does not enough to improve the activity in commercial areas.

This research has shown that airports have different strategies according to their market positions, capabilities, and passenger types and so on. It has learned that world's successful airports in the world have different competitive strategies, so that TAV Ankara Esenboga airport also tries to utilize new strategies which are suitable for the nature of the region which it operates. It has also realized that, strategic management process play an important role on airport strategies; it gives current situation of the airport and provides directions for the strategies. It has also showed that, it is not possible to define suitable strategy without any mission, vision, objectives and environmental analysis. The strategies are defined in order to reach the company's objectives, missions and visions.

6.2 Recommendations

This section of the research is about giving some further recommendations to the managers about how they can improve its strategies and strategic directions for competing in their sector. In the global changing business world, airport sector has been changing rapidly that in order to survive in the sector; each airport must take into consideration of these changes and should utilize it to their operations. In this study, when the author analyzes the strategies from interviews answers and compares it to the recent trend in the air transportation sector, it is needed to give some recommendations for the TAV Ankara Esenboga airport. The recommendations to the organizations are chosen in specific suggestions for the airport rather than general ideas.

6.2.1 Recommendation 1

It is observed from the interview that the airport has utilized competitive strategies for their operations. However, they just focus on differentiation strategy to improve its operations. Both managers do not even mention the cost leadership and focus strategy. Therefore, the author gives first recommendation for utilizing the cost strategy in the airport.

It is realized from the interview that, the airport could not accept the demand from low cost carriers due to the government restrictions. In TAV Ankara Esenboga airport, there is just one low cost carrier operates from/to the airport for just some destinations. They intend to become hub airport, so that it is important to attract low cost airlines. In the recent trends part, it is observed that low cost carrier have great importance on airport improvements. Therefore, the airport should take into consideration of *cost focus strategy* with concentrating on low cost carriers in the airport.

When the airport utilizes the cost focus strategy with low cost carriers, it would be absolutely a number of increased in passenger and flight traffic. It would also increase the possibilities of the airport to become a hub airport. Therefore, the airport should more concentrate on agreements with government for new contract about price tariff in order to enable low cost airlines in the airport.

6.2.2 Recommendation 2

Another recommendation can be given for the airport in order to improve the differentiation strategy. The airport has just differentiated itself with its unique terminal building and fast track process in the airport. However, in order to reach objectives, the airport should concentrate on more creative strategies.

Focusing on different areas has always considered as an advantage for any sector. The airport also may reach the dynamism in the airport with this freight activity. It is known that it has 10 million capacities, but nearly 70% has been used according to 2010 data. Therefore, this lack of passenger and flight traffic can compensate with focusing on air freight activities.

From the air freight transportation perspective, the airport would not have any plan for improving this operation. At that time, the airport's manager should concentrate on

differentiation focus strategy regarding as air freight transportation. The author recommends that if the TAV Holding and the government carry out the Public Private Partnership (PPP) model for air freight activities, the capacity of the airport would directly increase and acting as a transit point regarding as freight transportation. To do this, specialist cargo facilities may be constructed in an extensive area in the airport. This would provide fast and quality transactions of freight traffic within the airport. This strategy would possibly gain competitive advantage for the airport.

6.2.3 Recommendation 3

Market development plays an important role on airport strategies. Therefore, the author suggest different point of view for developing the market. It is known that there is not any railway connection between the airport and city centre. Lack of railway connections directly affects the passenger demand; people generally find it difficult to reach the airport. Therefore, it is vital to develop transportation alternatives to /from the airport.

Market development strategy may be achieved internally for the airport by encouraging better access to the airport. This could include supporting local road and rail improvements through the planning process or providing financial support to rail/bus services. Therefore, the airport should give more importance on railway constructing process with government. It would directly increase the passenger demand, even if the railway connections are constructed for the airport access. The airport has also private bus service to/from the airport. However, its routes is very limited in the city centre, passenger have difficulty to access the bus station in the city centre. Therefore, the airport should support its bus services to extend its routes which each passenger can access the bus station easily in Ankara.

6.2.4 Recommendation 4

It is recommended also that the airport should improve its commercial areas activities. In other words, the airport should more focus on *diversification strategy*. The airport has aimed as becoming a hub airport; therefore it should differentiate itself from other airports to attract both airlines and passengers. Nowadays new trends as mentioned in previous research are more shopping facilities in the airport. Therefore, the airport should more

concentrate of opening new shops especially popular brands inside the terminal. Shops are always attracting passengers while they are waiting their flight time. Online booking of various commercial services on offer, such as car booking, foreign currency and car park would attract passengers to use these services.

It is also needed in the airport that there is not any hotel within the airport area. Transit passengers sometimes need to stay in the airport due to the flight delays which can take hours or sometimes days. Therefore, the company should construct a hotel within the country and differentiate its operations through this concept.

6.2.5 Recommendation 5

The last suggestion can be given for the airport regarding as the concept of becoming a regional airport. It is just a suggestion for the airport to improve penetration level in the market. It is known that government has planning to extend regional airline transportation with constructing regional airports. Therefore, the airport may be a regional airport for the region which it operates by offering discounts on new regional services to encourage the use of the airport.

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APPENDIX

Interview Questions

- 1.** Could you explain me what does your mission and vision statements?
- 2.** Could you tell me what does the short-term and long-term objectives of your organization?
- 3.** When TAV Ankara Esenboga airport's current situation takes into consideration, what do you think about your airport's strengths and weaknesses in the sector?
- 4.** What are the key political, social, technological, environmental and economical factors that affect your business in the sector?
- 5.** Within the sector, what do you think about threats that airports has faced with them? What do you do to cope with it?
- 6.** By looking airport sector in Turkey, what are the existing opportunities that can be turn into an advantage for TAV Ankara Esenboga airport?
- 7.** What are your corporate-level strategies regarding to the growth of hub airport in Middle East region?
- 8.** What are the main sources to contribute revenue growth? Does it more coming from passengers, duty-free activities or air freight?
- 9.** Could you tell me what does your position in air freight activities and what is your future objective about this activity?
- 10.** How can you describe the relationships between airports and airlines? What type of strategies are you utilizing to attract airline companies to encourage them to use TAV Ankara Esenboga airport?
- 11.** Could you tell me what do you think about low-cost carriers' position in the world and in TAV Ankara Esenboga airport? What are the key reasons to growth with low-cost carriers in airport sector?

13. Could you tell me what is the fundamental competitive strategy for your business? Is it becoming a cost leader in the sector or differentiate the service?

14. Could you tell me what is the importance of market development and how do you develop your market and services in the sector?

15. What do you think about market penetration strategy within the sector? If you utilize this strategy, how do you integrate it to your operations in the airport?

16. Nowadays, it is known as the commercial activities have significant importance on airport profits. What do you think about diversification strategy for commercial activities in the airport? If you utilize this strategy, how can you integrate it to your commercial activities within the airport?