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Mission and Purpose

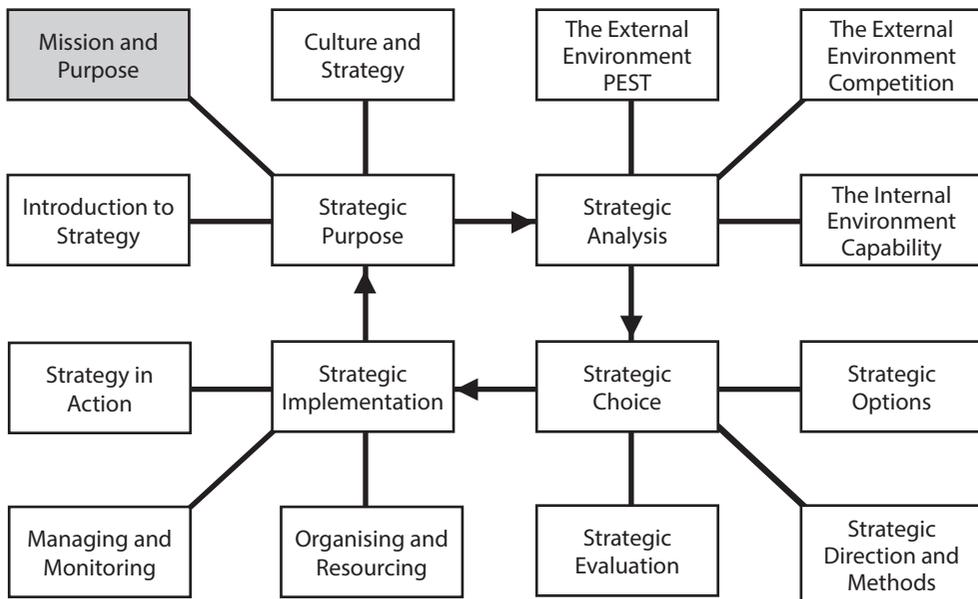


Figure 2.1

Learning outcomes

After studying this chapter and related materials you should be able to understand:

- Vision, mission and objectives
- Mission types such as profit and growth and quality of life
- Governance and social responsibility
- Stakeholders and stakeholder power

and critically evaluate, explain and apply the above concepts.

Introduction

The study of the purposes of tourism entities must necessarily precede any further analysis of strategy since it is difficult to have a strategy without having an idea of what the strategy is designed to achieve. A strategy is a means to an end, thus we need to state that desired end at the outset.

At first glance the aims of tourism entities appear to be straightforward. Surely the owners of most organisations simply want the highest possible return on their investment so that profit maximisation is the universal aim. However, two considerations make a further study of aims worthwhile. First, the concept of 'stakeholders' is an important one, particularly for large organisations and complex entities. A stakeholder is any person or group which has an interest in an organisation, and the concept of stakeholders is a much broader one than that of owner or shareholder. This makes the study of aims a more complex issue since stakeholders do not necessarily have identical aims. Second, many tourism entities are non-profit making and so if their aims are not profit-maximisation, we need to investigate what other aims are pursued, and who decides them. Related to this is the issue of governance, which describes how an organisation should conduct its affairs.

Missions and objectives are by no means static, and indeed the whole idea of strategy is to engage in regular reassessment of them to ensure that they remain appropriate. Thus mission and aims need to be understood as part of the circular nature of strategic planning. Figure 2.1 illustrates this cycle of planning. The starting point of this diagram is mission and objectives. Strategic analysis is then undertaken to test their continuing appropriateness. Such analysis may lead to a reformulation of mission and objectives in a new strategy for implementation over the next few years. The cycle of strategic planning will then recommence. Case study 2 uses the Heathrow Airport Holdings Limited to introduce the terms 'mission', 'stakeholder' and 'governance' in the context of an airport operator.

Case study 2: Heathrow (London) Airport

The British Airports Authority (BAA) was set up by the Labour government in 1965 as a government-owned organisation to run major airports in the UK including London Heathrow, one of the world's busiest international airports. In the 1980s the Conservative government had a policy of privatisation, designed to transform government organisations into innovative, profitable, efficient and service-orientated enterprises. As part of this, BAA was floated on the London Stock Exchange in 1987. It was thereby transferred from government ownership in the public sector to shareholder ownership in the private sector. Some ten years later, in 2006, BAA was purchased by Ferrovial, a Spanish company with interests in construction and infrastructure. In 2009 the company was required by the Competition Commission to sell Stansted and Gatwick airports, and subsequently it sold all its airports other than Heathrow. BAA was renamed Heathrow Airport Holdings Ltd in 2012

to reflect its new focus, and is now owned by a consortium of Ferrovial S.A. (25%), Qatar Holding LLC (20%), Caisse de dépôt et placement du Québec (12.62%), the Government of Singapore Investment Corporation (11.20%), Alinda Capital Partners (11.18%), China Investment Corporation (10%) and Universities Superannuation Scheme (USS) (10%).

Heathrow Airport Holdings' vision statement for Heathrow airport "is focused on developing the airport's position from one of the best airports in Europe to one of the best in the world" and its strategy includes:

- ◆ investing in further capacity, operational flexibility and resilience with sustainable charges for airline customers
- ◆ making every journey better through improved service standards to ensure it remains passengers' preferred airport

Its strategic priorities are expressed as follows:

- ◆ **Beat the plan:** To secure future investment, we will beat the ... business plan and deliver a competitive return to shareholders by growing revenue, reducing costs and delivering investments efficiently.
- ◆ **Transform customer service:** To deliver the world's best passenger experience, we will work with the Heathrow community to transform the service we give to passengers and airlines, punctuality and resilience.
- ◆ **Win support for expansion:** To connect Britain to the world for future generations, we will win support for expansion of Heathrow from our local community, airlines, shareholders, politicians and regulators.
- ◆ **Mojo:** To be a great place to work, we will help our people fulfil their potential and work together to lead change across Heathrow with energy and pride.



Plate 2: London Heathrow Airport – Generating noise as well as profit

However Heathrow faces intense competition domestically from Gatwick and internationally from Schiphol (Netherlands), Paris, Charles de Gaulle (France) and Frankfurt (Germany) airports, which also wish to be Europe's hub of choice, and for example, Schiphol has five main runways in contrast to Heathrow's two. So part of Heathrow Airport Holdings' long term strategy is to develop a third runway at Heathrow in order to become more competitive and generate increased profit for its shareholders. Runway 3 is a controversial strategy. Heathrow is situated in a busy residential area to the west of London and a new runway will mean loss of residential housing, extra air noise, increased road traffic and an expansion to air capacity which appears to contradict government policy to reduce CO₂ emissions. At the same time Gatwick airport has campaigned strongly to have additional runway capacity to be located there rather than at Heathrow. Runway 3 therefore demonstrates an interesting example of possible stakeholder conflict relating to the strategy of Heathrow Airport Holdings. The stakeholder network extends beyond the company's shareholders to include:

- ◆ Employees
- ◆ Customers (including passengers, airlines, retailers, car hire and other tenants)
- ◆ The aviation industry (including other airports, aircraft and engine manufacturers and air navigation service providers)
- ◆ Government (including national and local government) which affects Heathrow Airport Holdings through, border control, legislation and police.
- ◆ Local communities which are affected by airport operation.
- ◆ Non-governmental organisations (NGOs) (including Greenpeace and Plane Sense) especially those which campaign on environmental issues.
- ◆ Regulators (including the Civil Aviation Authority (CAA) and the Competition Commission)
- ◆ Suppliers (including banks, construction companies and IT support)
- ◆ Public transport operators (including bus, coach, taxi and rail).

Large organisations such as Heathrow Airport Holdings are required to demonstrate good governance and corporate social responsibility and each of these is also reported on in their Annual Report.

Source: Heathrow Airport Holdings Limited Annual report and financial statements

http://www.heathrow.com/file_source/Company/Static/PDF/Investorcentre/Heathrow-Airport-Holdings-Limited-31-December-2014.pdf