Institutionalising ‘High Performance Culture’ in AirSub

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ABSTRACT

Manuscript type: Research paper
Research aims: This longitudinal case study aims to analyse the process of change involving the institutionalisation of the ‘high performance culture’ (HPC) in one subsidiary of a Malaysian government-linked company (GLC) which had recently undertaken a business re-engineering exercise to improve its financial performance. Specifically, this study analyses the institutionalisation of the HPC by relating to the role of performance measures in influencing the process of change.

Design/Methodology/Approach: This study draws on institutional theory and institutional analysis to examine the process of institutionalising the HPC in the subsidiary. It also looks at the unfolding organisational responses towards sustaining legitimacy in view of the subsidiary’s hierarchical complexity.

Research findings: The business re-engineering exercise undertaken by the subsidiary is aimed at promoting the HPC in relation to improving its financial performance. It appears to have legitimised institutional relationships with various stakeholders. While this promotion appears to correspond well with the commercial and technical objectives that drove its aviation-based business financially, there seemed to be more discourses related to its past role in rendering public services.

Theoretical contribution/Originality: This study contributes to the understanding of legitimacy at the organisational level. It highlights the importance of preventing the legitimacy from being challenged

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by any single source of pressure which appears to be competing with other pressures.

**Practitioner/Policy implication:** Although the HPC has shifted the orientation of the subsidiary from being largely concerned with technical operations to commercial activities, emphasis on the importance of financial performance (measures) has not fully shifted. Thus, there is a need for business managers (including accountants) to appreciate business complexities when making informed decisions, by leveraging on appropriate performance measures that would consequently impact on organisational performance.

**Research limitation/Implications:** This study has only analysed one subsidiary of a GLC, hence the findings of this study cannot be generalised to other subsidiaries.

**Keywords:** Business re-engineering, High Performance Culture, Institutional Theory, Subsidiary Setting, Government-linked Companies, Malaysia

**JEL Classification:** M14, M41

### 1. Introduction

Business re-engineering is an area that has received considerable attention and interest from researchers (e.g., Eke & Achilike, 2014; Sarkis & Sundarraj, 2015; Hillon & Mele, 2017). A particular focus of business re-engineering is an organisation’s struggle towards sustaining business operations and achieving better performance (Gomes, Najjar, & Yasin, 2018). Such a challenge is further fuelled by today’s dynamics and challenges characterised by the significant, fast-moving changes of the business world. The dynamic and challenging technological advancements and the rapidly evolving business regulations exert some forms of pressure on organisations to respond and to adapt so as to remain relevant. As a result, many organisations choose to redefine (or revisit) their existing business models and/or practices (Heusinkveld, Benders, & Hillebrand, 2013). Such redefinations or revisits are termed as business re-engineering (Grover & Malhotra, 1997; Al-Mashari & Zairi, 2000; Eke & Achilike, 2014).

Research on business re-engineering within organisations, especially in relation to institutional pressures for business organisations to be high performing, is rather limited. Consequently, little is known about the unfolding changes and the sort of organisational struggles attributable to business re-engineering which contribute to better
business performances. What the literature has postulated is that business re-engineering is associated with massive and/or complex changes (Sarkis & Sundarraj, 2015; Hillon & Mele, 2017). Such changes are not straightforward and they do not necessarily exemplify explicit effects. In many instances, they act as proxies for business re-engineering exercises, appearing to ‘improve business performance’ or to ‘be high performing’ (Wriston, 2007; Champy, 2018). Given that business re-engineering is a form of improvement initiative, those changes are impactful to business organisations (Sarkis & Sundarraj, 2015; Champy, 2018). Hence, there is a need to unravel its effects on how organisations institutionalise the idea of being high performing.

In the context of Malaysia, business re-engineering has been very much associated with government-linked companies (GLCs). Most GLCs’ performance became a national issue because these organisations became underperforming upon privatisation. Alternatively, they became less competitive when compared to other market players in the country or other state-owned enterprises of neighbouring countries (Mokhtar, 2004; PCG, 2006; 2015). Indeed, there have been many claims that GLCs generally experience problems such as internal control conflicts, weak strategic directions, low productivity, high gearing ratio, inefficient procurement practices and poor business performances (Mokhtar, 2004; PCG, 2006; 2015). The re-engineering programme introduced by the Malaysian government is known as the GLC Transformation Programme in the mid-2000s (PCG, 2015). Interestingly, the coverage of this programme transcended the entire GLCs’ business components, encompassing mainly subsidiaries and/or business units.

In view of the above, this study attempts to examine one subsidiary of a GLC in Malaysia (disguised as AirSub). It had recently undertaken a business re-engineering exercise which was influenced by the parent company’s broader re-engineering exercise. The re-engineering exercise aims to reinforce the financial and non-financial performance of the group by introducing the ‘high performance culture’ (HPC). Such reinforcement appears to have some important implications on how AirSub responded to the changes arising from the business re-engineering. Drawing on this overview, the current study aims to provide an understanding on how AirSub institutionalised the concept of the HPC, given that it is regarded as a means for obtaining legitimacy.

The re-engineering exercise of AirSub appears to be an organisational response towards the HPC which aims at stimulating the subsidiary’s efforts into undertaking more rigorous commercial changes.
This response might be regarded as important and significant. However, there appears to be some unclear links between the broader institutional pressures coming from the parent company’s relationships with the government (in view of its ‘GLC status’) and the need for AirSub to shift from its operation-based concept to the commercial-based idea. This is because the unfolding changes resulting from the business re-engineering exercise was part of an effort to sustain its legitimacy as a ‘relevant’ subsidiary to the group (i.e. by being profitable). In addition, the reinforcement of the HPC within AirSub remains unclear. Therefore, this study aims to understand the process AirSub has taken in institutionalising the HPC concept, following the business re-engineering exercise. The issues which the current study attempts to address are threefold: (i) the process of institutionalising the HPC in AirSub, (ii) the role of performance measures in institutionalising the HPC in AirSub, and (iii) the responses of AirSub towards the multiple pressures to prevent legitimacy from being challenged. Following the above aim, the research questions to be addressed are:

a) How has the institutionalisation of the HPC unfolded in AirSub?

b) What was the role of the performance measures in institutionalising the HPC in AirSub?

c) How and why did AirSub respond to the multiple pressures in its struggle to sustain legitimacy?

The major concerns of this study are the process of change (within the scope of business re-engineering which led to the institutionalisation of the HPC in AirSub), and the ways in which different groups of organisational actors within this subsidiary responded to the business re-engineering which instigated the changes. In addressing such concerns, this study has adopted institutional theory with a particular reference to the concept of legitimacy that underpinned (or rather influenced) AirSub’s institutional relationships with various stakeholders. A special reference is made to the hierarchical complexity of the subsidiary’s business model, which was caused by business re-engineering, in addition to its existing business activities. To bring together insights from business re-engineering and management accounting studies so as to position them within the discussion of legitimacy issues, this paper draws on the recent institutional analysis emerging from institutional theory. The adoption of such an analysis and theory can explain the change processes, specifically the
institutionalisation of the HPC and the organisational responses towards sustaining legitimacy in AirSub.

Many studies have adopted institutional analysis and institutional theory to understand how institutional environments condition organisations, and how the institutionalisation of certain business practices (which emerged as a response to institutional pressures) unfold in a given environment (Yazdifar, Zaman, Tsamenyi, & Askarany, 2008; Goretzki, Strauss, & Weber, 2013; Chiwamit, Modell, & Yang, 2014). These studies use institutional theory as a guide to explore how organisations operate and internalise business systems and practices in response to change (DiMaggio & Powell, 1983) within their respective environments (Covaleski & Dirsmith, 1988). The next two sections present the literature review and the theoretical framework that are relevant to this study.

2. Literature Review and Hypotheses

2.1 Business Re-engineering

Business re-engineering has become increasingly important in the business domain as a result of the new economic era of knowledge and technology (Heusinkveld & Visscher, 2012; Heusinkveld et al., 2013). Although business re-engineering has been interpreted in various ways to suit the importance and relevance of such an era, its core element remains the same, i.e., to redesign existing business practices substantially. In general, business re-engineering involves a substantial level of business redesigning which aims to establish business capabilities and to achieve a significant increase in business performances (Al-Mashari & Zairi, 2000; Champy 2018). Regarded as a change initiative, it transforms a particular business process or a group of processes into spectacular improvements in their business performance. It is not uncommon for business re-engineering to be viewed as a performance improvement initiative which redesigns the business processes of an organisation by excluding those processes that do not add value (Grover & Malhotra, 1997; Gandolfi, 2010; Hillon & Mele, 2017).

2.2 Business Re-engineering and Performance Measures

In most business re-engineering exercises, performance measures (or targets) have been leveraged. They serve as control mechanisms (Al-Mashari & Zairi, 2000; Heusinkveld et al., 2013) for these organisations
to achieve the intended change initiative’s objectives as well as the overall business objectives. Performance measures could influence the organisation’s key decisions in implementing change in areas which so require. Such influence could be exerted through the provision of relevant information for decision-making (Hopwood, 1990; Otley, 1999; Jørgensen & Messner, 2010; Hall, 2010). The same influence can also provide useful information through activity-based performance analysis and cost-benefit analysis (Bhimani & Bromwich, 2010; Bhimani & Willcocks, 2014). This information can be used to stimulate an understanding of the change by indicating the necessary actions that need to be taken. As Altinkemer, Ozcelik and Ozdemir (2011) argued, such provisions are vital for fixing and improving business performance.

2.3 Pressures, Organisational Change and Business Approval

Given that business performance is subjected to significant pressures and challenges, many organisations have been considering a more holistic change approach as a step towards stimulating their business performance (Ozcelik, 2010; Altinkemer et al., 2011), and also to achieve and/or sustain ‘approval’ from their key stakeholders. The concept of ‘business approval’ offers a rich and coherent explanation on how organisations respond to the dynamic business environments, particularly in the presence of multiple pressures. As argued in the literature (Seo & Creed, 2002), the multiplicity of business pressures can lead to different forms of expectations which ultimately shape or influence ‘business approval’ (Modell, 2009; 2019).

The literature has also reported that business pressures can give rise to change (Modell, 2019). Such a change may be constructed through the influence of business pressures which shaped particular organisational actions, hereby termed as organisational responses (Durand, Hown, & Ioannou, 2019). While such responses may lead to positive or negative outcomes transpired through ‘business approvals’ or otherwise, the change may continue to evolve based on circumstances. Indeed, organisational responses to change depend on many factors, such as the availability of resources and organisational capabilities and competencies (Chiwamit et al., 2014). These factors can provide a basis for discussing how organisations respond to internal and external pressures that give rise to change. Apparently, such change is expected to bring prosperity to the business in terms of improved financial performance (Champy, 2018).
2.4 Culture of High Performance

It is not uncommon for organisations to have an inclination towards continuously achieving a significant increase in business performance (Jørgensen & Messner, 2010; Hillon & Mele, 2017; Champy, 2018). While some organisations appear to pursue actions that appeal to short-term performance improvements, other organisations find themselves more aligned with the long-term performance enhancements (Wriston, 2007). Nevertheless, many authors have argued that achieving long-term business performance is the main aim of today’s business organisations (e.g. Champy, 2018). Regardless of whether it is short-term or long-term performance improvements, setting the right culture within the organisation is important as this enables the business organisation to experience a steady business growth (Altinkemer et al., 2011), and business stability (Sarkis & Sundarraj, 2015).

The literature has recognised that business organisations need to create a culture of high performance so as to achieve superior business results (Wriston, 2007; Gandolfi, 2010). An organisation’s failure to develop this culture has been associated with organisational mediocrity and bankruptcy (Wriston, 2007; Hillon & Mele, 2017). Nonetheless, a culture of high performance takes many forms. Some organisations focus on customers while others focus on business processes. Under most general circumstances, organisations tend to strive for business sustainability by maintaining their business performance (Champy, 2018). Hence, instilling a culture of high performance should be viewed as a goal which should then direct organisations towards business sustainability.

2.5 Theoretical Framework: Institutional Theory

One of the issues highlighted by institutional theory is legitimacy (Suddaby, Bitektine, & Haack, 2017; Boxenbaum & Jonsson, 2017; He & Wilkins, 2018; Modell, 2019). Past studies (as noted above) had examined how organisations obtained their legitimacy (or ‘business approval’). There have been arguments that organisations obtained legitimacy through the establishment of institutional relationships with various stakeholders by conforming to certain institutional expectations (Seo & Creed, 2002). For example, Covaleski and Dirsmith (1988) and Yazdifar et al. (2008) reported that organisations secure legitimacy from external stakeholders who provided resources by conforming to particular business systems and practices.
Nevertheless, given that organisations co-exist within the social, cultural and political environment (Carruthers, 1995; Gamage & Gooneratne, 2017), they do not necessarily follow the economic imperatives of efficiency. Instead, they are surrounded by various pressures for legitimacy. Arguably, legitimacy is not obtained automatically by merely acting rationally and striving towards economic efficiency. Rather, legitimacy is obtained through conformity to certain institutional environments that are relevant to specific contexts. Due to the importance of legitimacy for business sustenance and business survival, organisations tend to obtain legitimacy by adopting particular sets of business practices.

Whatever practices that these organisations choose to adopt in their pursuit for legitimacy, institutionalisation may happen initially, although such practices may be exposed to, and are influenced by, change at a later stage (Modell, 2009; Boxenbaum & Jonsson, 2017; Powell & Oberg, 2017), partly because the institutional environment is assumed to be dynamic (Modell, 2009). Over time, new practices may emerge as a part of the dynamism or the presence of new pressures. While the new institutionalised practices may continuously challenge the existing institutionalised practices, thereby putting pressures on organisations, there is often an elusive effort or power to resist change. It is this kind of resistance that creates clashes between the different institutions which then challenge the concept of legitimacy (Kostova, Roth, & Dacin, 2008; Boxenbaum & Jonsson, 2017; Modell, 2019). Thus, institutional theory was applied as the framework for explaining how organisations obtain legitimacy by conforming to institutional pressures (Suddaby et al., 2017; Modell, 2019).

The above overview on legitimacy can be related to the recent Malaysian government’s effort to improve the GLCs’ (and their networks) performance. In the mid-2000s, the government had introduced a business re-engineering programme that called for GLCs to improve their business performance by enhancing their business processes and practices so as to contribute to the national economy. As a subsidiary of a GLC that had undertaken a strategic business of national importance, AirSub responded to the government’s call by developing its own business re-engineering programme. Such a programme was aimed at redesigning the airport-related services and business practices, hence improving the company’s financial performance. These aims were mobilised through the notion of the HPC which served as a push factor for ensuring business sustainability through greater performance. By
using Air-Sub as a case study, the current paper attempts to unravel the institutionalisation process of the HPC within AirSub.

3. Data and Methodology

This study aims to answer the three key research questions as stated in the introduction. A qualitative approach was applied in this study for two main reasons: 1) the complexity and depth of issues associated with institutional change at the subsidiary level which emerged from the broader institutional change at the parent company’s level, and 2) the need to explain the unfolding process of change (as a result of the re-engineering exercise). In order to explain the unfolding change process, it is necessary to briefly interpret the structural context of AirSub. This would enable us to better understand the change process and to reflect on the realities experienced by the individuals (and/or groups) in different circumstances (Lincoln & Guba, 1985; 2000).

Data were collected at both the field level and within AirSub between 2011 and 2017. The period was deemed relevant and crucial given that it reflected the re-engineering exercise and the institutionalisation of the HPC which unfolded in AirSub. Apart from the documentation reviews and observations conducted, the study was also triangulated through semi-structured interviews and extended discussions with key informants.

The snowballing approach was utilised, beginning with the interview of a key official who was heavily involved in the re-engineering exercise. Following this, a total of eight participants were recruited, involving AirSub’s senior managers, executives, financial controllers and administrators. Due to the important linkage which AirSub had with external stakeholders, the interview was further extended to encompass three representatives from AirSub’s parent company. This extension was suggested by those who had participated in the earlier interview, hence a total of 12 interviews were conducted. Table 1 summarises the list of interviewees and their responses.

Access was facilitated by a previous research project which was undertaken at a much broader level (involving those of various positions in the parent company, the Ministry of Transport Malaysia and other subsidiaries). The interviews were conducted based on a set of semi-structured questions. The aim was to enable the interviewees to broach on the subject first before giving their own comments in an unlimited manner. This helped to uncover some important themes and adequate
details. All the interviews conducted inside AirSub were voice recorded (with consent), and transcribed using the verbatim approach. However, elsewhere (i.e. outside of AirSub), some of the interviews and extended discussions were only manually noted per the interviewees’ request. The notes were then transcribed into extensive extractions instantly.

The interview data were thematically analysed so as to understand how the participants or actors in AirSub translated the broader aspect of the HPC in their subsidiary setting, and how they coped with the changes caused by business re-engineering. Institutional theory and the interpretive approach used for analysing qualitative data necessitated the need to reiteratively analyse the interview data, the documentation reviews and relevant literature so that appropriate themes can be developed (Mason, 2017). The reliability of the findings derived from this study was enhanced through several procedures, such as the interview protocol, the recordings of the interviews, and the feedback derived from the transcriptions of participants as per Silverman’s (2017) suggestions. The main ethical considerations associated with this study include: 1) participants’ informed consent, 2) confidentiality,
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and 3) potential harm to the participants. Consent was also obtained from the parent company and the subsidiary as well as the respective individuals during the fieldwork. All parties were informed about the research background and objectives, and how the interviews would be conducted.

The research methods highlighted above not only enabled the researcher to observe the organisational actors’ involvement in the re-engineering exercise and the way in which the institutionalisation of the HPC occurred, it also enabled the researcher to gain an understanding of the organisational responses to the multiple pressures, within the context of a subsidiary of the Malaysian GLC.

3.1 Organisational Background of AirSub

AirSub was incorporated as a subsidiary of one specific GLC in 1993 through corporatisation. Following this, the same subsidiary was deemed to have moved from the traditional public service era to a more commercially oriented business entity. Since then, it had assumed the responsibility of operating and maintaining most airports (both domestic and international) throughout Malaysia by leveraging on the fixed assets and liabilities as well as the workforce inherited from the previous public service era. Although these airports supported different objectives and played different roles, their shared objectives were as follows: to ensure the safety and security of airport operations, to be able to meet diverse customers’ expectations, and to comply with the regulatory requirements of the international and local authorities.

AirSub was also responsible for discharging the public service’s commitment by providing aviation services to: 1) major Malaysian cities (which concerned stimulating their economic development and meeting increasing travel demands); and 2) geographically disadvantaged areas (by connecting remote places that were inaccessible through other public transport services). The subsidiary divided the airports geographically into several local regions, which varied not just in number, but also in terms of size and importance. There was a hub airport in each region, with each hub being responsible for the basic procedural management of the regional airports.

The AirSub subsidiary was headed by a general manager who was assisted by some experienced senior managers of different capacities. This subsidiary derived its revenues from three main sources: operations, commercial activities, and other revenues including car
rental operations. Of these three sources, the revenue related to the aeronautical operations contributed the most to AirSub’s overall business performance. This revenue was dependent on the passengers and cargo’s demands, the national (and international) economic growth, personal incomes, airfares, and the service quality of airports.

4. Results and Discussion

The research findings begin with the business re-engineering programme that was introduced by the parent company. This leads to the way in which the HPC was interpreted in AirSub, that is, how it shaped its re-engineering exercise.

4.1 Business Re-engineering Exercise in AirSub

AirSub’s business re-engineering was stimulated by the government’s pressure to improve its parent company’s business performance. AirSub was expected to improve its financial prospects not only for business sustainability, but also for enhancing the group’s value. A business re-engineering unit (disguised as Re-engineering Management Office (RMO)) was responsible for facilitating AirSub’s re-engineering programme which involved a number of systematic and formalised change initiatives.

Prior to the re-engineering, different categories of the airports pursued different business strategies. While international airports followed a largely commercial strategy due to a high record of passengers and their strategic locations (close to major cities), domestic airports had practised a cost-saving strategy due to their geographically disadvantaged locations. Consequently, financial performance was measured in terms of ‘profitability’ or ‘cost saving’.

Following the establishment of the Commercial Development Team (CDT) in 2008, AirSub extended its commercial strategy by encompassing international airports. The AirSub team was responsible for developing various commercial activities throughout the airport networks. Through a focussed commercial role played by the CDT, AirSub also organised many ‘public events’ at major airports (both domestic and international) as a measure to encourage more business activities.

As a result, AirSub shifted its orientation from being largely concerned with airport operations to focussing on commercial activities not just for the international airports, but also certain domestic airports.
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Such orientations had encouraged the different types of airports to engage more intensively in commercial activities. This was stated by a domestic airport manager:

*We’ve given serious thoughts on how we can improve economic performance. The only solution that we can think of is to rely more on commercial activities rather than exclusively on the aeronautical operations. We’re trying hard to negotiate with outsiders … asking them to set up their businesses here so that we can generate more money from commercial activities.* (Participant 5)

The shift in the business orientations was important for AirSub as it helped the subsidiary to meet the parent company’s expectations in its performance improvement. This process was achieved through more intensive commercial undertakings. AirSub implemented these initiatives at various airports according to specific ‘commercial models’ designed by the CDT. Consequently, the commercial operations engaged by AirSub increased revenues. While the operations seemed straightforward and feasibly acceptable by AirSub, the business re-engineering exercise in itself was indeed complex; it was very much shaped by the financial performance measures propagated by the notion of the HPC.

4.2 Institutionalisation of the HPC in AirSub

As an airport operator, AirSub placed significant emphasis on its core operations of maintaining and operating Malaysian airports throughout the country. AirSub also recognised the importance of commercial activities for improving its financial performance which was the ultimate aim of the HPC. Nonetheless, it appears that the overall effect of the commercial initiatives on the business performance of AirSub had been relatively insignificant because AirSub was responsible for operating a large number of unprofitable airports. Although AirSub expected each airport to minimise its operating costs and to maximise profitability wherever possible, the maintenance of the airports involved a considerable amount of money. AirSub had to comply with various requirements involving a large number of airports as imposed by the airport regulators. Many interviewees also indicated that AirSub emphasised technical efficiency which was pivotal to its very existence as an airport operator and to its profitability. As an airport manager noted:

*Being an airport operator, one thing that matters is to be technically sound. If you don’t have this, you are gone … bye-bye.* (Participant 4)
Nevertheless, to improve profitability, AirSub could not depend exclusively on technical efficiency. Instead, it must also become actively involved in commercial activities. The strongly embedded public service commitment within AirSub, however, had constrained it from achieving the desired profitability. This had affected the process of institutionalising the HPC. AirSub is a subsidiary with a large number of people, especially those from the domestic airports due to its privatisation. As such, their way of thinking and doing things seemed to carry remnants of the public service commitment which was not beneficial to AirSub. This was commented by one domestic airport staff:

Well, everybody is aware that AirSub is operating many unprofitable airports. I don’t think we can break this ‘tradition’. We have to accept the fact that there’s nothing much we can do to make them profitable. We just need to stick to what we’re responsible for. This has become a part of our ‘blood’. If we can make money out of it, that is a bonus. But we don’t have to push too hard to meet the targets. This [profitability] is not our priority. So, it’s okay if we don’t achieve these targets. Anyway, commercial activities should be under the CDT’s responsibility … not us. (Participant 9)

In this regard, the institutionalisation of the HPC in AirSub tended to address issues concerning technical efficiency rather than economic performance, as expressed by one senior executive of the RMO:

In AirSub, there are many improvements in the operational performance rather than in economic performance. We’ve managed to reduce the number of lost baggage incidents. We’ve also received fewer complaints from passengers about the facilities that we provide at airports [e.g., toilets and waiting seats]. However, I don’t really see any significant financial improvements in AirSub. Yes, international airports are improving; but the majority of the domestic airports are not really progressing [well]. (Participant 7)

The above comment illustrates the feedback of some managers’ understanding that failure to comply with the aviation rules and regulations would have severe implications, as explained by one interviewee:

Operating an airport is never an easy job. We have to observe many aviation requirements. For example, if our airports are not safe people might rate our airports as poor… [Consequently] no international airlines would want to fly here. So how do we make money then? The
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[International Civil Aviation Organisation] ICAO’s reports are really crucial. In order to get ‘clean reports’, we need to comply with every bit of the technical requirements. (Participant 4)

4.2.1 The Role of Performance Measures in Institutionalising the HPC in AirSub

In the process of institutionalising the HPC in AirSub, it was noted that performance measures played a significant role. This can be seen in a number of instances where certain core business areas were measured. This observation was also noted by one domestic airport manager explaining how technical efficiency was measured in AirSub:

Our performance is measured in terms of whether we operate airports in accordance with the aviation rules and regulations. We have to comply with certain standards. If we do that well, we can consider that we’ve met our company’s objectives. (Participant 5)

Based on the comments provided, it can be deduced that AirSub gave much more emphasis in its compliance with the aviation regulations (non-financial) than to commercialism (financial). Linked to this is the fact that certain airports did not show any likelihood of being profitable due to the geographical factors indicated earlier. Nonetheless, this did not mean that AirSub ignored the economic performance of the airports it maintained, as explained by one senior manager:

There are many things that can affect us … mostly beyond our control. Anyway, it’s impossible to have control over everything. So, we should prioritise our focus. At the moment, we still give a high priority to technical [aspects], although profitability is still important. There’s nothing much we can do to improve our profits except that we can try our best to be persistent with the cost reduction [strategy] wherever possible … and of course we pursue the profit maximisation [strategy] as much as we can. But still, so far, we’ve only managed to improve our performance by pursuing a profit maximisation strategy through many commercial activities, such as rentals, advertisements and so forth, in only a few airports, including the selected domestic airports … but not all. (Participant 4)

From the evidence provided, it appears that the international airports had paid serious attention to the financial measures whereas the domestic airports tended to view the financial measures less importantly. Despite this, there were many improvements that had
emerged in the domestic airports following the introduction of the HPC. This was highlighted by an interviewee from the RMO:

Since we keep on emphasising the importance of performance, we can see that they’ve made some changes. One important change that really impressed me was the one that they achieved through the ‘turnaround strategy’. They’ve turned those unused offices into commercial units. And their financial performance has improved [since] that year [2010]. (Participant 7)

The notion of the HPC had caused the organisational actors in AirSub to recognise the importance of financial performance, as noted by the General Manager of AirSub:

Most people here are aware of the importance of profits and the impact that profits can have on their individual performance. For example, they can get higher bonuses if they meet the financial targets. (Participant 1)

From the interview, it was further noted that some interviewees placed importance on improving the financial performance, and for sustaining and expanding AirSub’s business operations in the future. This was observed by an administrator:

I believe that the more profits we make the better we become and the longer we can remain [and be relevant] in this business. Even if we want to expand our business, there shouldn’t be any problem for us to do so. Indeed, this will bring more profits into our company. (Participant 9)

Nevertheless, as already indicated, the emphasis on the importance of financial performance was not a characteristic of the public sector, and this seemed to prevail even after privatisation. The bureaucracy involved in AirSub was noted by one senior manager:

We used to give instructions to our people to follow … and they followed. This was how we structured our people. If there were problems, they had to report to us. There were always many lines of reporting that they had to use. Yes, this sort of culture is still preserved until today. (Participant 4)

Although many people from the pre-privatisation era had retired, resigned or relocated, the changes taking place within AirSub seemed inconsequential mainly because of the strong embedded norms and values left by the previous system of the public sector. These norms and values were mainly passive, and they conflicted with some of the
change initiatives introduced by privatisation. The organisation’s neglect of, and its lack of responses to the change initiatives not only slowed down the change process; it had also resulted in a very small shift in the attitude of thinking and doing things. This was observed to be the case in the people working in AirSub. Consequently, the notion of the HPC was deliberately avoided by large groups of the staff, particularly those attached to the domestic airports. This was explained by one domestic airport manager:

I think we’re not ready for this [improvement] idea yet… particularly to improve our performance commercially. To be honest, I don’t see the point of pushing towards this [commercial] direction to our airport. Our top management is aware that there’s nothing much we can do to be profitable. The most we can do is to minimise the cost. That’s all. I think the international airports may well apply this idea because they’re profitable… not a domestic airport like this one. That’s why we can only consider the cost saving approach. (Participant 5)

From the above quote, one can infer that the commercially oriented approach promoted by the HPC was ‘unattractive’ to some organisational actors, as exhibited through the language used by the participants. Alternatively, as a subsidiary, AirSub seemed more passionate with technical efficiency which emphasised on compliance with formal security and technical requirements imposed by the aviation regulators. This outcome was consistent with the underlying structure of the operational (technical) language used in the operating airports. Nonetheless, the CDT, which was responsible for commercial activities, had taken on the commercial development role in AirSub. This was emphasised by the CDT’s executive:

Our role is to take care of commercial matters in AirSub as we represent the group’s aspiration to increase commercial revenues. And for this reason, we liaise more with people in the international airports to make use of every commercial possibility that can ultimately meet this aspiration. (Participant 6)

From the evidence noted, it can be deduced that different groups of people dealt with technical efficiency and commercialism respectively, thereby leading to the different interpretations of the HPC within AirSub. While the operational (technical) people regarded the HPC as an option for promoting operational efficiency, members of the CDT and people at the international airports regarded the HPC as an alternative
for promoting commercialism which would improve financial performance. Nevertheless, in this study, it was generally observed that the institutionalisation of the HPC in AirSub was happening in a smooth manner. Indeed, the HPC was enacted in this subsidiary to be a public service rather than a commercial business (except in the international airports), in light of the local norms and values which underpinned its business model and workforce.

4.3 AirSub’s Responses to Pressures in Sustaining Legitimacy

Other than the issues concerning the institutionalisation of the HPC, and the performance measures involved, this study was also driven by the empirical question on how AirSub had responded to the multiple pressures of business re-engineering. It appears that it was not uncommon for AirSub to operate airports efficiently by observing certain technology-related requirements. Such operational desires placed a considerable focus on the technical concerns (e.g., airport security and ground-handling) which require airport operators to comply with standards and procedures set by the regulatory bodies. A focus of this nature was crucial for the subsidiary in responding to pressures exerted by various airport constituents, such as airlines and passengers, who expected airports to be technically sound in rendering aviation services. In this regard, technical efficiency was therefore, embraced as an important business drive. Although this may be so, airport operations in AirSub could not be solely driven by technical efficiency; it also requires the hustle and bustle of commercial activities which were intended to sustain business survival.

Apart from technical efficiency and commercialism, AirSub’s main concern was its commitment, on behalf of the government, to discharge airport services (mainly operating unprofitable airports). This commitment involved undertaking the government-imposed role of operating and maintaining airports efficiently by complying with certain processes, rules and procedures, as prescribed by the airport regulators. The compliance that originated from the two separate pressures had also been translated into obligations. This observation was noted by the General Manager of AirSub:

Rendering this public service is a part of our agreement with the government in accordance with the specified terms and conditions. Since we operate in a highly regulated environment, compliance with the
rules and regulations has become a part and parcel of our operations. Therefore, our airport operations have to be good and we must be able to deliver public service in the public interest. We are lucky that the government has been supporting our cause in running the airports throughout Malaysia. This is good as it recognises our purpose of establishment. But our problem at this moment is how do we position our commercial objectives to achieve the performance targets? It is really difficult to look good to [impress] everybody. (Participant 1)

In this regard, it appears that operating and maintaining public facilities and ensuring technical efficiency predominated over business its business performance. Commercialism only appeared to penetrate into the various components of AirSub in a gradual and limited way although this was more evident in the international airports than the domestic airports. This observation was also noted by the General Manager of AirSub:

We have no problem whatsoever in doing business commercially in the international airports because they have strategic positions and capabilities to accommodate profitable business activities. However, this might not be the case for domestic airports due to the strong emphasis on social responsibility despite our commitment to ensuring that each airport under our care is technically efficient. (Participant 1)

This aspect of ‘commercialism’ was also reiterated by one international airport manager:

Yes, I think commercial is essential here. We have been enjoying much of our profits from the commercial activities, such as from car park fees. (Participant 4)

The response from one domestic airport manager also verified this scenario:

It’s difficult to have commercial activities running here. No business prospect of that kind. (Participant 5)

Based on the data, it can be deduced that domestic airports emphasised on the bureaucracy practised by the public services for instance, its technical efficiency. This was confirmed by the interviews of the local airport managers which also indicated their inability to appreciate the importance of the commercial activities. Such a situation highlights how legitimacy was challenged in a subsidiary setting.
The evidence provided thus far indicate that AirSub responded quite uniquely to the different demands (and hence pressures) posed by its stakeholders. The diverse pressures experienced by AirSub had given rise to multiple expectations that had challenged its organisational legitimacy in fulfilling the ultimate aim of the HPC. This challenge could be observed through the way AirSub secured its legitimacy from the external stakeholders, such as the regulators, the government, and the parent company that provided the means (i.e. rules and regulations, public service facilities and policies, as well as financial and non-financial support) for it to function as an airport operator. At the same time, however, AirSub was expected to accommodate the economic imperative of a strong commercial orientation so that it can be recognised as a legitimate business entity with ‘acceptable’ financial means.

5. Conclusion and Implications

This study has observed the institutionalisation of the HPC in AirSub. It was required to improve its financial performance by leveraging more on commercial activities. This was due to the hierarchical-organisational pressures resulting from its relationship with its parent company. Such pressures had indeed influenced its re-engineering exercise which shaped the way in which the HPC was promoted throughout the airports which was maintained by AirSub in Malaysia. As an airport operator, such an exercise would have emphasised on technical efficiency, but the mounting pressure from the parent company requires that AirSub also improves on its financial performance, hence provoking it to become actively involved in commercial activities. Although the business re-engineering exercise of AirSub corresponded quite well to its commercial and technical objectives, it appears that it was still practising the attitude of its predecessor, the public services’ way of operating. This has had some significant impact on its business practices even though it was pursuing for legitimacy. The shift in the orientation of this subsidiary from being largely concerned with technical operations to commercial activities was noted to face some resistance, especially from the non-profitable airports. Consequently, there was much debate on its very reason of existence despite the increasing pressure for it to improve its financial performance.

Thus far, what had been discussed reflected what Modell (2009) had signified, in that the institutional environment was assumed to be dynamic, but it was influenced by various institutional pressures.
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(Boxenbaum & Jonsson, 2017). Such dynamism and pressures may lead to the emergence of new practices. An introduction of such practices within an organisation which strives to receive support and legitimacy may lead to an initial stage of institutionalisation. Nonetheless, such practices may become overexposed, and subsequently change to another practice at a later stage. Over time, new practices may emerge and disappear cyclically, as part of the dynamism, thereby putting more pressures on organisations. Change is not a welcoming process, and often, there will be some resistance from some form of power (or effort). This kind of resistance causes conflicts among the different institutions, thereby leading to challenges which affect the defence of the legitimacy (Kostova et al., 2008; Smets, Greenwood, & Lounsbury, 2015; Modell, 2019). In the context of this study, the response of AirSub seemed to be influenced by the multiple external pressures surrounding it. Inevitably, this shaped the way it interpreted the HPC. Nonetheless, AirSub also had its own shared norms and values which prescribed particular sets of actions and practices for it to administer so as to support its day-to-day business activities. These shared norms and values have, over a period of time, governed the ways in which the subsidiary reproduced its actions and practices, to the point that these had become historically repeated, customary, and taken-for-granted assumptions (Oliver, 1991). Based on this, it can be said that the current study has described how the subsidiary of one GLC responded to and/or interpreted an external ‘rationalised and legitimised’ improvement concept by shifting its orientations from being largely concerned with technical operations to considering commercial activities.

Interestingly, the institutionalisation of the HPC within AirSub (which provided public services more than commercial businesses except in the international airports) had occurred in the course of its business processes while using certain operational and financial improvement initiatives based on the types of airport it maintained. Specifically, the enactment of the HPC in AirSub was unfolded in light of the local norms and values due to its technically oriented business nature. The enactment of the HPC was aligned differently in the different parts of this subsidiary.

In relation to the role played by performance measures, it can be observed that there was only a weak link between the business activities of AirSub and its financial targets since it maintained mostly unprofitable domestic airports. In contrast, it was observed that the international airports operated by AirSub were evaluated based on their
financial and technical performance. From this outcome, it can be argued that the role that performance measures played was only confined to certain organisational parts. This finding is consistent with Chiwamit et al., (2014) whose study suggested that the institutionalisation of an economic valuation model in the Chinese and Thai state-owned enterprises had not changed the highly subjective performance evaluation practices. It had eventually led to the need to negotiate for the adjustment of the performance measures (or scores).

To date, extant literature had indicated that organisational actors’ responses were based on prescriptive rules. Thornton (2004) indicated that institutional pressures can shape the rational and mindful behaviours of actors even though such actors can change their responses when under institutional pressures. In this regard, literature (Smets et al., 2015; Modell, 2009; 2019; Suddaby et al., 2017; He & Wilkins, 2018) had also highlighted that institutional pressures can reinforce (or influence) existing institutions (and/or practices) into co-existing or to be in conflict with each other in their pursuit for legitimacy. This implied that one should be mindful of the multiplicity of the institutional expectations (which emerged from the composition of different stakeholders) which can challenge organisational legitimacy (Oliver, 1991).

The above discussion has exemplified the significant role played by institutional theory in explaining the institutionalisation of the HPC within one subsidiary of a Malaysian GLC that had recently undertaken the business re-engineering exercise to improve its financial performance. Given that this study has drawn on the theoretical insights of the recent institutional analysis, an understanding of the process of institutionalising the HPC in a complex business setting, such as AirSub, could be developed. The process showed where the issues were emerging from during the implementation of the business re-engineering exercise. In this regard, institutional theory had been useful for explaining the empirical data analysed within AirSub, and for describing the organisational responses of the organisational actors in sustaining organisational legitimacy.

Apart from the theoretical contributions of this study, practical contributions in terms of promoting and/or implementing the programme of change, such as the business re-engineering, can be drawn from the current study. The findings derived from this study are not only useful for the subsidiary being examined, but also for the parent company and the government. The findings can be used for reflecting
when considering business re-engineering as an exercise. The business dynamics and the complexity surrounding the subsidiary are concerns which need to be looked into. This study has also observed how different groups of organisational actors within the subsidiary had responded differently to the introduction of the HPC. In this regard, it seems vital for the relevant parties to recognise and understand what the underlying differences were (in terms of dynamics and complexity associated with a particular business setting), so that business performance can be improved, and more importantly, for the subsidiary to obtain legitimacy from the relevant institutional stakeholders.

In conclusion, this paper has explained how the traditional views observed by AirSub which seemed to emphasise its role as a provider of public service, had evolved to become more contemporary, putting a greater emphasis on commercialism, instead. Interestingly, such emphasis emerged upon the introduction of the business re-engineering exercise. This therefore, prompted the pursuance of a new business model. Nonetheless, even though AirSub also practised the previous government’s work attitude, it had also implemented some effective changes as a result of the implementation of the business re-engineering exercise, particularly when striving to obtain legitimacy from the parent company. This was noted in the comments made by majority of the staff in AirSub. Although it can be argued that AirSub’s performance could have been evaluated based on the non-financial measures more than the financial measures, there was evidence to suggest that there was more concern placed on the financial measures due to the shift towards commercialisation.

In this study, the institutional analysis and institutional theory had facilitated the understanding of the institutionalisation of the HPC in AirSub. Both were also used to explain how the changes had taken place, and how the re-engineering processes had unfolded. They further confirmed past studies which had analysed the role of institutional environments in conditioning organisations in the presence of institutional pressures (Yazdifar et al., 2008; Goretzki et al., 2013; Chiwamit et al., 2014), particularly during massive business re-engineering exercises (Hillon & Mele, 2017; Champy, 2018). The findings of this study had interestingly shown that the business re-engineering exercise in AirSub had imposed multiple external pressures causing it to be challenged when seeking its own legitimacy. This had led AirSub to mobilise a newly developed business model which was inspired by the broader business re-engineering propagated by the parent company.
References


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