

What are Stakeholder Impacts and Strategies Developed by Asean-Region Airlines in a Competitive Business Environment?

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KEY WORDS: Stakeholders' impacts, environmental change, airlines, ASEAN region

This research examines the stakeholders' impacts on ASEAN air carriers and airline strategies to interact back the business environment when associating with opening up the ASEAN Single Aviation Market among ten member countries. Our empirical study is based on the analysis of the primary interviews with 19 regional and international aviation experts. Results indicate that the primary stakeholders including customers, distributors, competitors, suppliers; and the broad environment including technological change, global political forces, legal forces and natural forces depict the most significant impacts on the strategies developed by ASEAN-region airlines.

Manuscript received: September, 2021 / Revised: January 01, 2022 / Accepted: February 15, 2022

1. Introduction

When a country's market is pressed into joining a regional, unified, multilateral market by the impact of environmental changes, organizations front the challenges of facing threats. Despite the environment remaining more or less turbulent, organizations face an ongoing need to formulate strategies to ensure their success. This paper discusses both internal and external stakeholders' impacts on the airline industry in ASEAN region and how airlines in this region respond to those impacts. Given certain knowledge of the airline industry, a research question is raised as following: "What are the stakeholders' impacts and strategies developed by ASEAN-region airlines to respond to such impacts?"

In this research, we employ Freeman (1984)'s Stakeholder theory which allows to examine the variables, taking into account all parties with a stake in the firm, including customers, suppliers, owners, managers, employees, and even associated communities; and external environment factors based on PESTEL framework including political, economical, social, technological, environmental and legal. Through our primary data analysis interviewed with 19 international and regional aviation specialists, we identified these factors: (1) Customers, (2) Distributors, (3) Competitors, (4) Suppliers, (5) Shareholders, (6) Employees, (7) Technological Change, (8) Global Political Forces, (9) Legal Forces and Government's Protection, and (10) Natural Forces are key stakeholders' impacts as well as airlines' strategies to respond to each impact.

2. Literature Review

2.1 Development of stakeholder relationship levels

Stakeholders are defined as customers, suppliers, employees, financiers, communities and managers that interact and create trade value. According to Freeman (1984), the executives have the duty to manage and shape the relationships to create values for stakeholders and should find solutions to resolve the stakeholder interests' conflicts and to some extent they should

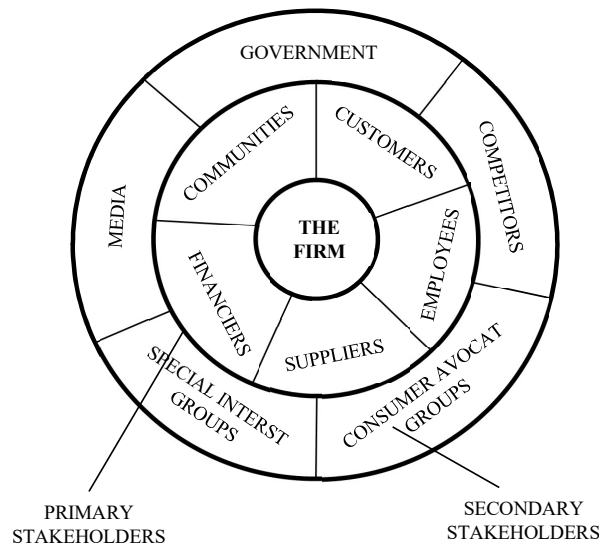
create more values (Harrison et al., 2010; Wahid et al., 2017). The management of stakeholder relationships will help the business survive and thrive in capitalist systems (Phillips, 2003) and the management that focuses on the creation, maintenance and alignment of stakeholder relationships will accommodate practitioners to create values and avoid failures (Posr, Preston, and Sachs, 2002; Sisodia, Wolfe and Sheth, 2007).

There are other stakeholders beyond the common stakeholders as financiers, customers, employees, and communities (Freeman, 1984). Figure 1 shows the level of relationships between financiers, customers, suppliers, employees and communities, which are characterized as the "primary" or "definitional" stakeholders. Clarkson (1995) characterizes primary stakeholders and secondary stakeholders clearly. Primary stakeholders' relationships are characterized by mutual interdependence and considered as those "without continuing participation, the corporation cannot survive as a going concern" whereas secondary stakeholders are not too vital to the organization. Thus, primary stakeholders are considered as the organization's partners and secondary stakeholders have the voluntary relationships within the organization.

Previous researchers propose the obligation to identify the stakeholders for organizations, in which the alignment between the organization and its stakeholders will ensure the success (Bryson, 2004). In reality, the literature confirms that there is no specific type of stakeholder in general, but the stakeholders diverge depending on the industry, organization, geographic location and particular problem (Mitchell et al., 1997; Bailur, 2006; Gil-Lafuente and Paula, 2013). Donaldson and Preston (1995) state that all stakeholders are equally important in the relationship with organization and neither of them is prominent. Their model comprises of key stakeholders including investors, political groups, customers, the public, employees, trade associations, suppliers and the government, however, more stakeholders are proposed by other researchers, including non-governmental organizations (Delaporte et al., 2010; Sontaite, 2011;

Gil-Lafuente and Paula, 2013), the media (Neville et al., 2005; Fiedler and Kirchgeorg, 2007; Dickinson-Delaporte et al., 2010; Sontaite, 2011), business partners (Neville et al., 2005; Sontaite, 2011; Florea, 2013), local community (Neville et al., 2005; Sontaite, 2011; Gil-Lafuente and Paula, 2013; Florea, 2013), natural environment (Neville

et al., 2005), board of directors (Florea, 2013), owners, competitors, retailers, trade associations, government regulatory agencies, financial institutions, interest groups (Sontaite, 2011) and even terrorists (Freeman, 1984).



Source: Freeman, Harrison, and Wicks (2007)

Fig. 1 Creation Value for Stakeholders

There are different stakeholder groups to mention through the development of the Stakeholder theory, including the internal and external groups; primary and secondary groups; normative functional, diffused and customer groups; regulatory, organizational, community and media groups; and groups in order of Power and Interest. Internal stakeholders refer to the organization's financial activities and concern about profit, efficiency and financial return whereas external stakeholders refer to the organization's actions and these stakeholders are interested in value, quality, satisfaction, long-term relationships, ethical and moral actions of the organization, financial support and etc., (Florea, 2013). External stakeholders cover customers, suppliers, business partners, community, the public, competitors, the government, special interest groups, retailers, trade associations, government regulatory agencies, financial institutions, analysts/experts, terrorists - the external (Freeman, 1984; Sontaite, 2011; and Florea, 2013).

Many researchers such as Freeman (1984), Clarkson (1995), Mitchell et al. (1997), Bailur (2006), Sontaite (2011), Florea (2013), Mishra (2013), Wolf (2014) agree that stakeholders should be divided into primary and secondary types. Sontaite (2011) includes consumers, suppliers, employees, owners, community in the primary stakeholder group; whereas media, competitors, financial institutions, government, public interest groups are categorized in the secondary stakeholder group. (Florea, 2013) proposes the third group, namely key stakeholders, and is defined as "people or organizations who might

belong to either or neither of the first two groups" (Florea, 2013, p. 132). The third stakeholder group can be policy makers, officials, important professionals or community personalities who have a strong position or influence on the organization (Florea, 2013).

Dowling (1995) divide stakeholders into four groups based on the homogenous reputation within groups, namely normative, functional, diffused and customer. Normative stakeholders secure the organization's functions and establish rules and norms for the organization, involving the government, regulatory agencies, trade associations, professional societies, shareholders, the board of directors. Functional stakeholders involve in the organization's daily operations including employees, suppliers, unions, distributors, service providers. Diffused stakeholders take an interest of the organization during the crisis period namely journalists, community members, and the special interest groups.

Henriques and Sadorsky (1999) propose four stakeholder groups. The regulatory group includes those stakeholders such as trade associations, informal networks, competitors. The organizational group includes consumers, suppliers, employees and shareholders. The community can act against the organization's activities and have a significant impact on the results of organization's performance.

Freeman (1984) developed four groups of stakeholders under the influence of power and interest level matrix. Polonsky and Scott (2005) state that the position of stakeholder in the matrix enables the

organization to formulate appropriate strategies to deal with stakeholders (Gregory, 2007). Mitchell et al. (1997) prove that most stakeholder may have the influence on the organization’s performance, and it is possible to distinguish the interested stakeholders from dis-interested ones by grouping them under the power and interest.

Bryson (2004) argues that stakeholders are defined by two opposite criteria. Certain researchers argue that stakeholders must have the power affect directly to the future of the organization whereas other researchers argue that the stakeholders should be powerless to affect the future of the organization. In order to clarify and systematize the stakeholder concepts, Mitchell et al., (1997) propose to group stakeholder concepts according to these following criteria: (a) Existing relationships between organization, (b) Power dependence - when the organization is dependent on stakeholder and vice versa or there is a mutual power dependence relationship, (c) Basis for legitimacy of relationship, (d) Stakeholder interests – where legitimacy is not implied.

2.2 Stakeholder Environment and Organization

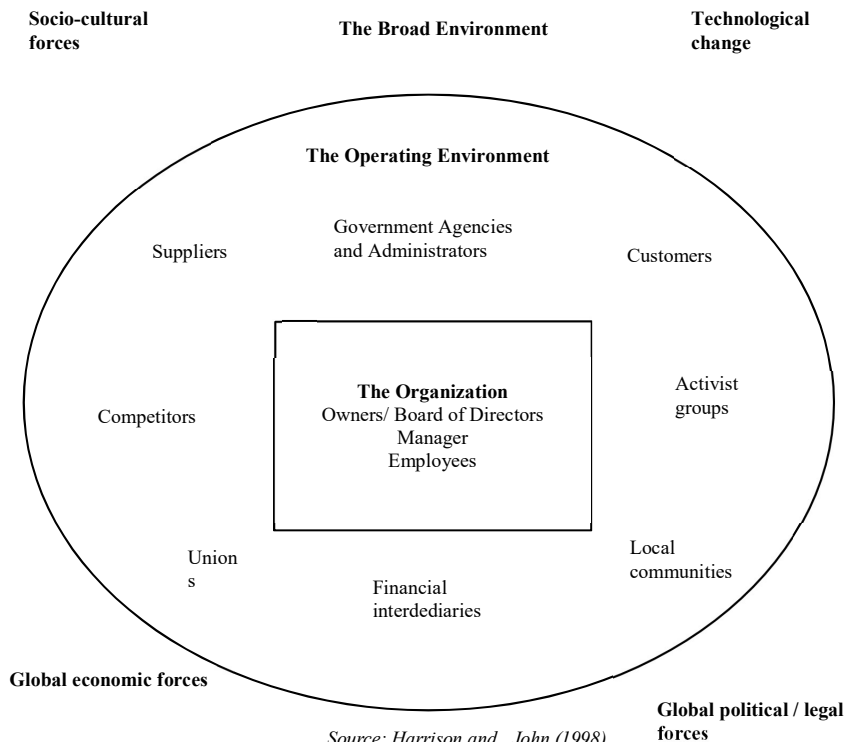
In Figure 2, Harrison and St. John (1994, 1998) further segment the stakeholder environment into three zones. The Broad Environment includes society, technology, economy, while legal covers the regulatory context in which the organization and its operating environment exist. In this setting, the organization has little or no influence over the Broad Environment. The Operating Environment of an organization consists of external stakeholders which can have an impact on it. In the central zone, The Organization itself is composed of stakeholders, usually internal, firmly attached to the organization. Previously, Harrison and St. John’s strategic management process model used the resource-based view as a tool to allow managers to

determine how to employ internal stakeholders to create competitive advantages. On the other hand, Porter’s (1985) Five Forces are used to analyze external stakeholders, and traditional economic approaches are used to analyze the Broad Environment (Harrison and St. John 1994, 1998). In the more recent literature, Post et al. (2002a) relabelled Harrison and St. John’s three zones of stakeholders as the Social Arena, the Industry Structure, and the Organizational Resource Base.

Among different definitions with similar meanings, Matuleviciene and Stravinskiene (2015) propose that (Freeman, 1984)’s definition could be considered as one of the best stakeholder definitions, which identifies concisely and accurately the relationships between the organization and stakeholders, based on the power dependence. With reference to Freeman (1984), the stakeholders could be treated as groups or individuals, who can affect or be affected by the purposes of the organization. Stakeholder theory suggests that an organization will have a better chance to resolve the issues if they can identify and analyze the relationships with the groups and individuals who can affect or are affected (Parman et al., 2010). From a stakeholder perspective, a business can be understood as a combination of relationships among different groups having a stake in activities that formulate the business (Freeman, 1984; Jones, 1995; Walsh, 2005).

3. Methodology

A qualitative approach is employed as a main method for data analysis in this research. The qualitative analysis is mainly based on the empirical data retrieved from 19 in-depth interviews listed in Table 1 below:



Source: Harrison and John (1998)
 Fig. 2 The Organization and Its Primary

Table 1: List of High Profiled Aviation Industry Experts Partipating in This Research

	Designations	Duration of Interviews
1	Senior Executive Level, Vietnam Airlines in Vietnam	1 hour
2	Senior Executive Level, Derry Air in Indonesia	1 hour
3	Senior Executive Level, NokScoot Airlines in Thailand	1 hour
4	Senior Executive Level, Y2International Aviation Consulting in Cambodia	2 hours
5	Director Level, Qatar Airways, Cambodia	5 hours
6	Manager Level, Qatar Airways in Vietnam	1h10 minutes
7	Director Level, Aviation Management Training Center, Kent International College in Vietnam	1h15 minutes
8	Manager Level, Cathay Pacific in Vietnam	1h10 minutes
9	Director Level, Cambodia Angkor Air in Cambodia	4h30 minutes
10	Director Level, Hong Yi Travel in Cambodia	1 hour
11	Manager Level, Cambodia Angkor Air in Cambodia	1 hour
12	Senior Executive Level, Vietnam Aviation Academy in Vietnam	1 hour
13	Manager Level, Vietnam Aviation Academy in Vietnam	1h15 minutes
14	Chief Air Safety Investigator, Safety Investigation Authority in Finland	1 hour
15	IOSA Auditor at Aviation Compliance Solutions (ACS) Pty Ltd in Australia	1h20 minutes
16	Aviation Magazine Editor in Asia - Founder of Aviation in Asia E-Magazine	1h30 minutes
17	Director Level, ATR – Airbus in France	1 hour
18	Manager Level, Cambodia Airports in Cambodia	1 hour
19	Senior Executive Level, Fubong Bank in Hong Kong Industry Evaluation – Aircraft Leasing	20 minutes

This type of interview allows the interviewees to express their views and give the interviewer some control (Robson, 1993). The semi-questions are structured for all participants who are “given considerable liberty in expressing their definition of a situation that is presented to them” (Nachmias, 1996, p.235). Nineteen indepth interviews, lasting from one hour to five hours due to the interviewees’ interests on this research, were carried out with international and regional specialists working in the aviation industry in the ASEAN region in order to obtain a broad perspective. These data were obtained through email responses, phone conversations or in-person interviews and were collected from October 2018 till March 2019. In order to avoid sensitivity, we merely mention the interviewees’ designated levels, in which Senior Executive Level signifies Presidents, Vice Presidents and CEOs. Director Level signifies Chief Commercial Officer, Chief Operation Officer, Operation Director and Strategy Director. Manager Level signifies the managers working at the Customer Service, Sales, Business Administration and Commercial Departments. Most of the interviews, conducted either in English or Vietnamese, were recorded with an audio recorder to capture the information or note-taken with the consent of participants, and these were later transcribed and translated into English for coding with the MaxQDA qualitative data analysis software, version 2018. This software helps to code and reveal the relationships between the elements reflecting seeking results as stating below. This qualitative data analysis interprets the ASEAN airline industry and the airlines’ strategic decisions in response to the fast changing environment, which is mainly influenced by stakeholders.

4. Findings and Discussions

This research was conducted from March 2017 and finished in

December 2019 with the context that the airline industry is challenged by existentially unrelated occurrences, such as industrial action and improved technology, as well as from external sources (e.g. government directives, regulatory bodies, the environment and terrorism) (Doganis, 2006). Referring to the work of Harrison and John (1998) on three-zone stakeholder environment, our findings reveal that the ASEAN airline industry is most acutely vulnerable to the primary type of stakeholders, including Customers, Distributors, Competitors, Suppliers, Shareholders and Employees; and the external influences including Technological Change, Global Politico-legal and Natural Forces segmented in the Broad environment. The findings confirm the statement of previous researchers, such as Wright and Ferris (1997), Scholes and Clutterbuck (1998), Rodgers and Gago (2004), and Sharma and Henriques (2005), that the influence of external stakeholders over the organization has intensified noticeably in recent years, particularly in the airline industry (Koistinen et al., 2019).

4.1 Primary stakeholder impacts and strategies responded by airlines

4.1.1 Customer Demographic’s impacts and strategies developed by airlines

The customer stakeholder’s influence is considered the most importance in the airline industry since it can critically decide the survival of the airline. Customer demographics impact on the airline industry can be classified by three factors, including disposable income, age, and lifestyle. Guo et al. (2007) state that overall customer demand in the air transport industry in Asia has been increasing significantly according to the economic growth of China, India and countries from

Southeast Asia. Higher disposal incomes and increased internet access have encouraged Asian people to travel more often than previously. By 2030, two-thirds of the global travelling public will come from Asian countries (IATA, 2018). Furthermore, when populations are aging, these customers will seek greater on-board comforts and social status recognition with the branded airlines i.e., flying to the U.S. on EVA Air, even in economy class, has a certain cachet. An example demonstrating this phenomenon is Qatar Airways in Cambodia's station striving to attract the "Oknhas" of Cambodia. These are individuals who contribute U.S. \$500,000 or more to infrastructure or development projects in order to be bestowed with this honorific political title. However, this demographic group preferred Singapore Airlines to Europe, or EVA Air to the U.S., in order to display and confirm their social status by choosing to fly with prestige airlines.

In the 21st century, daily processes are more systemized and use of mobile and digital technology is more pervasive among the younger generations. This trend will continue to crystalize in the near future. Airline managers have to create separate strategies and approaches for different marketing plans, which will all depend on the target consumer demographic and how those people are using technology. A good example is AirAsia. This airline's strategy is to turn its website into an online travel marketplace, providing a full range of services from selling air tickets and car rental, to room reservations. This airline's website has helped the airline sell travel services better than other online travel agencies. AirAsia is recognized as being part of a digital travel industry that has profited from available data to understand customers and their consumption habits, and thereby predict purchasing behaviours. The airline has essentially acted with significantly more attention to consumer habits and digitalization than it has acted like a traditional airline. Since many airlines continue operating in a traditional way, AirAsia has secured a competitive advantage and found success with the more than 650 million ASEAN citizens using their mobile phones and the Internet to reserve online accommodation.

The fact that elderly customers prefer human interaction by purchasing air tickets from agents or air boutiques while younger customers prefer to engage with social media and wearable technology consents to the study of IATA (2018) stating a demand of human touch among virtual spaces. Most airlines in ASEAN continued promoting its mobile application system to its primary customer demographic. The majority of previous researches have been done with customer satisfaction and very little relates to customer demographic factors, which these findings do include.

From the above qualitative data analysis, we reach to the conclusion as:

➔ Since the traveling public diversifies in nature, airlines are demanded to employ separate strategies and approaches to target different consumer demographics in order to optimize their sales efficiency.

4.1.2 Distributors' impacts and strategies developed by airlines

The sale distributor stakeholder impacts significantly on the airline's revenues. The current trend shows that most airlines worldwide prefer to distribute their tickets through their own websites in order to reduce third parties' intermediary costs. That these intermediaries charge USD \$7 to \$15 per ticket has prevented airlines from spending on third parties. For example, Qatar Airways in

Cambodia has allowed travel agents to access its inventory system directly to reserve air tickets, bypassing GDS. This strategy prevents GDS from block booking seats, allowing the airline to wrest back greater control over their ticket distribution by interacting directly with travel agents and passengers instead of via GDS. Furthermore, online customers love to receive promotions and are reluctant to part with USD \$15-\$20 per ticket to the agents. Therefore, should a traveler buy tickets for the entire family, they must pay a very high fee to the agent.

However, the fact that both FSCs and LCCs' websites could not reach all customer segments, leads them to take advantage of multi-legs from third parties such as the GDS, OTA and physical travel agents, to approach customers in order to optimize their sale productivity. Furthermore, airlines continue to employ third parties to sell flights in less-developed markets where a cash-based economy is dominant and online payments are not widespread. In Southeast Asia, Cambodia is a case in point. The country is overwhelmingly a cash-based economy. The direct distribution channel for airline tickets accounts for only 20%, while 80% of bookings are through travel agents. In this market, airlines employ a strategy of allowing customers to book and reserve their seats online, then the airline holds that seat for at least 48 hours in order for the customer to pay cash through an agent.

The findings here support the study results from Alamdari and Mason (2006) where they evaluate the impact of changes on key stakeholders such as the airlines, travel agents, global distribution system companies and corporate travellers. These researchers conclude that global distribution systems deregulation will lead to the fragmentation of airline inventories across different distribution channels. Airlines will seek to increase the proportion of sales they make directly through their own website, thereby reducing their costs. Travel management companies will need to clearly demonstrate their value to corporate clients. Corporate clients are most concerned about ensuring access to the widest possible range of airline products and tariffs, at the same time as distribution costs are removed from the value chain. The results from Shon et al., (2003) also indicate that virtual channels are good enough to dominate the market but the traditional channels also have their own niches in some specific segments. As a result, our conclusion is that a good combination with all types of sales distributors are crucial for the airline's revenue growth, despite further costs being incurred. This conclusion is supported by (PwC, 2017) stating that airlines need to incorporate the best of what these so-called channel consolidators do and offer holistic and attractive travel distribution programs in order to capture top-line growth in the competitive environment. Airline must combat ticket commoditization by developing, alone or in partnership with global distribution systems, enhance merchandising applications allowing them to cross-sell and upsell using their privileged access to millions of global travelers.

From the qualitative data analysis, we can conclude as following:

➔ Sales through digital distribution channels will increase markedly and become the key customer service channel. However, airlines must still engage third parties to sell flights in order to optimize sales, despite their preference for a more direct distribution channel.

4.1.3 Competitors' impacts and strategies developed by airlines

The competitor stakeholder dramatically influences the airline industry, especially with the robust growth of LCCs (Low-cost Carriers). Well known names such as AirAsia in Malaysia, Scoot in

Singapore, NokScoot in Thailand, and VietJet in Vietnam are enjoying a period in the spotlight. The explosion of new LCCs in South East Asian nations such as in Malaysia and Indonesia, has had such an impact that they have become an intimidation to the major airlines. The finding shows that the concept of the LCC model has been wrongly perceived as “cheap-priced airline” in the Asian market. In fact, the price structure for the core product from a low-cost carrier and a full-service carrier is comparable. The profit model of a low-cost carrier is based upon upselling and the sale of “add-on” products and services. The core air ticket product is sold at a standard price and other options are added to that price according to customer demand. Therefore, the value of LCCs and FSCs (Full-service Carriers) must be considered as being at the same level in terms of safety, quality, timeliness and information accuracy.

With the rising competition, both LCCs and FSCs have to improve their service quality and adapt to changes in the market with their differentiations. Major airlines are offering up to four classes of air travel, being Economy, Premium Economy, Business and First Class. LCCs also have begun to upgrade their seats by offering more options such as “Biz Class” to passengers, despite this model supposing only one class in order to allow passengers to economize their air ticket expenses as much as possible. For example, NokScoot Airlines offers seats in a Business Class called ‘ScootBiz’, which can be achieved because the cabin configuration of its wide-body aircraft was originally designed for Scoot and Singapore Airlines. Since LCCs can only compete with FSCs for the lowest customer segment, FSCs will reduce economy class airfares on certain routes and markets in order to attract more customers. Then the new trend shows that LCCs are gradually moving towards the full cost model while full-cost carriers are steadily moving in the opposition direction, towards the low-cost model. This finding is in line with the findings by Hanaoka et al. (2014) indicating that passengers enjoy decreases in disutility as a benefit of LCC’s entry through airfare reductions by FSCs and the low fares of LCCs. This benefit spreads through the entire network as well as into corresponding markets.

Another competitor, such as a hybrid business model carrier, a merging of full-service and low-cost models, will take a slice of the cheaper end of the market from major airlines as well. Therefore, major airlines have launched low-cost subsidiaries to confront the competition with low-cost and hybrid carriers. For example, Malaysia Airlines offering FireFly in Malaysia; Thai Airways operating Thai Smile and Nok Air in Thailand; Philippine Airlines launching Philippine Express; etc. However, the results indicate that major airlines’ low-cost subsidiaries have generally failed due to the lack of decision-making power. The major airlines which have launched low-cost subsidiaries do not completely confront the genuine low-cost carriers head to head, e.g. Qantas Airways with Jestar Pacific in Vietnam; Singapore Airlines with TigerAir in Singapore; etc. In fact, major airlines cannot metamorphose themselves into low-cost carriers and the shareholders should identify the airline’s core business model right from the moment of inception. Major airlines must differentiate themselves from low-cost carriers instead of trying to emulate them because they cannot apply the same concept to different levels and in different markets for both low-cost and legacy airlines. The result indicates that full-service carriers will not shift their strategy completely towards the low-cost model in order to reduce costs or prices, meaning they will not turn themselves into fully-fledged low-cost carriers purely to compete.

From this qualitative data presentation, we can conclude as following:

➔ Low-Cost Carriers (LCCs) increase competition within the airline industry, forcing Full-Service Carriers (FSCs) to differentiate themselves instead of focusing their efforts on price competition.

4.1.4 Suppliers’ impacts and strategies developed by airlines

Firstly, the airport operator stakeholder impacts negatively on the airline’s flight operations in terms of insufficient infrastructure and slot allocations. The airport infrastructure is obviously a barrier in some ASEAN countries such as Vietnam, the Philippines, Cambodia, Myanmar and Laos. The quality of the aviation services industry in these countries will be diminished severely if the infrastructure is not fully prepared to adapt to the opening market. In the event of destructive natural disasters, airlines’ operations cease or flights are delayed due to the affected airport infrastructure. Secondly, the restriction of slots from airports influences aircraft utilization, while airlines must ensure sufficient slots to meet their passenger demand. This finding supports the study by Choi et al. (2016), when the airport has authority in slot allocation, they should also consider allocating favorable slots to those major airlines serving transfer passengers as a way of enhancing the airlines’ hub-and-spoke network and the airport’s overall connectivity. Tan (2015) also indicates that although Singaporean carriers have had unlimited rights into London Heathrow airport, and all points in the U.K. since 2007, the real problem here is the lack of slots at Heathrow which an E.U.-ASEAN agreement does not cure. Therefore, this impact becomes more severe when dealing with busy airports in stronger countries.

Second, the aircraft manufacturer and lessor stakeholders can affect the airline operations and profitability. Due to the excessive costs involved in developing an entirely new airframe model, aircraft manufacturers now delay development of new families of aircraft and introduce innovations of new aircraft types much later than in the past. Airlines are urged to invest hundred millions of dollars in new aircraft models in their efforts to consume less fuel and reduce costs. In regard to aircraft innovation, pilots are required by the aircraft manufacturers to train continually in order to keep up with the new aircraft innovations and ensure safety, otherwise, accidents may become unavoidable such as in the case of the B737 Max 8. Airlines can shelter under the umbrella of the financing leasing companies to purchase or lease aircraft with higher costs when they do not meet the purchase criteria from aircraft manufacturers. Airlines circle around in a vicious cycle of complicated acquisitions with limited capacity and the confrontation of generating profitability in a renewal process. Therefore, the increasing aircraft acquisition costs may prevent airlines from growing and innovating, and the need to access new financing options may derail the airline industry. This finding concerns the costs incurred by airlines when dealing with aircraft manufacturers and lessors for the new technological introduction while the Urgo et al. (2018) study indicates the impact of demand for new aircraft from different airlines to aircraft manufacturers, have pressured them to comply with the delivery times, which affects the airline’s operational plans.

Third, the fuel supplier stakeholder affects the airlines severely when they increase fuel prices. Airlines will incur costs potentially amounting to billions of dollars and their ticket sales in such a situation can only recover total cost and not generate profits. Airlines are forced to source fuel from cheaper locations despite the aircraft having to

endure additional weight while flying, which increases fuel consumption as well. However, cheaper fuel locations do not guarantee the airlines can reduce costs if the human resource costs for refueling at each destination are different. When fuel prices remain the same in some countries, the airlines' route development plan would be influenced because the costs endured at each destination are different, thus airlines must define destinations which bring greater profits. As a result, the increase in cost depends on a wide variety of factors and the percentages of the total costs are different in each country. Airlines can seek to hedge as a tool to secure the stability of the fuel prices for their long-term operations, but this is a risky financial tool and not suitable for every airline, especially for small airlines in ASEAN. Oil price fluctuations are notoriously difficult to foresee over the long term, leading to hedging failures conveying losses and even legal responsibility in ASEAN countries. The findings here support the research by Thorbecke (2019) in indicating that oil price shocks affect many industries, either positively or negatively, which implies that oil price swings increase uncertainty for many firms. Oil prices are likely to continue fluctuating in response to geopolitical events and supply changes. On a further point, research by Rodrigue (2017) confirms fuel costs are the airlines' largest expense. Higher oil prices raise ticket prices and reduce the number of travelers. Higher prices for air travel and other forms of transportation in turn deter tourism.

From this qualitative data presentation, we can conclude as following:

➔ Airlines must have flexible strategies based on their resources in order to deal with insufficient quality and increased costs delivered by key suppliers, including airport operators, aircraft manufacturers/lessors, and fuel suppliers.

4.1.5 Shareholders' impacts and strategies developed by airlines

Airlines in Asia are owned by different shareholding models, in which national carriers are commonly owned or controlled by their governments and low-cost carriers are owned by private investors, e.g., Vietnam Airlines is owned by the Vietnamese government. Though national airlines such as Vietnam Airlines (Vietnam), Garuda Airlines (Indonesia) and Malaysia Airlines (Malaysia) are partially privatized, stake ownership is not totally open to public shareholders at present, and into the near future, since Southeast Asian governments are heavily involved with the destinies of their national airlines. With the restriction of ownership stakes set at 49%, foreign shareholders when buying a stake in an airline do not have sufficient seats on the Board of Directors to change or restructure the airline for profitability as may be their wish, thus losses may continue to accrue. This finding is in line with Tan's statement (2015) revealing that new airlines in ASEAN have continued to be established using the traditional model with local interests owning more than 50% of shares and foreign investors typically holding 49% or less. This is still seen as being the preferred and more sustainable model for airline operations (Tan, 2015) and confirms Hooper's (2015) conclusion that there is fidelity in ASEAN to the "substantial ownership" requirement in that the foreign partner does not have the right to enjoy a majority shareholding.

At present, airlines who are owned by private shareholders are mostly large corporations or conglomerates. The trend among these private shareholders is to leave the management teams of the airlines to run operations free of interference, rarely intruding into their

operations. In Southeast Asia, Singapore Airlines, Temasek Holdings only becomes involved when they are required to, i.e. for purchasing new aircraft and are not really engaged in the operational flow of the airline. In Vietnam, the CAAV (Civil Aviation Authority of Vietnam) and the Ministry of Transport do not get involved or interfere overly much with how Vietnam Airlines, the national flag carrier, manages its operations. In the Philippines, Philippine Airlines belongs to Lucio Tan Group, which is no longer under government administration. Thus, moving forward to a single aviation market in Southeast Asia, operational independence from shareholders will be a new trend, where airlines freely confront either in competition or co-operation within their strategic thrusts.

Our finding also shows that the failure of major airlines' low-cost subsidiaries derives from the influence of the shareholders and the dependence of those airlines in terms of management. Once the airline cannot be creative and proactive, the decision making process is slowed, creating one of the reasons why these subsidiaries, living under the umbrella of their parent airlines, are often not as successful as pure low-cost carriers. The finding supports Pearson and Merkert's (2014) work in revealing that the key factors for the failure of airlines-within-airlines are ill-defined strategy, excessive management control, higher costs and lower efficiency compared to true low cost airlines. These researchers propose a strategic factor based on the analysis of failure factors as follows: considerable effective autonomy from the parent, market dominance, decisive leadership, and less deviation from the pure LCC model. The study from Raynes and Tsui (2019) confirms the Pearson and Merkert (2014)'s research by concluding that the high level of autonomy allowed to major airlines' subsidiaries in making their own decisions affects their operations, thereby ensuring their interests and requirements are met, as well as enabling them to offer the most suitable products, services and aircraft to their respective markets.

From this qualitative data presentation, we can conclude as following:

➔ The new trend is for government or private shareholders choosing to remain passive and not to be directly involved in the carrier's operations, allowing airlines to have further independence and efficient operation.

4.1.6 Employees' impacts and strategies developed by airlines

The internal stakeholder's influence on the airline industry is manifested by the human resource factor. In some under-developed ASEAN countries, where talents often require higher wages, it is a dilemma for the airline's CEO to balance a sufficient number of qualified employees with the average ones in order to prevent rising payroll costs which affect total operating costs. The huge shortage of qualified and accredited managers, aircraft engineers and pilots definitely affects the airline's operations when employment in the airline industry is no longer appealing to younger generations. The lack of working passion in ground staff and cabin crews has dissatisfied customers and downgraded the image of some airlines, leading to a downturn of services in the public's perception. This finding is in line with the studies of Ekiz et al. (2006), Nardiri et al. (2008), Boetsch et al. (2011) and Namukasa (2013) when they confirm that personal service is an important dimension of an airline's overall service quality perception. It refers to the quality of service provided by the airline's staff and flight attendants in terms of their attitude and behaviour towards

customer service. Moreover, personal services also encompass an error-free ticketing service, responsiveness of aircraft crew members, personal care and helping attitude. The study by Farooq et al. (2019) also provides evidence for the fact that better quality of personal services will significantly improve customer satisfaction levels.

Another impact concerns to the pilot issue, this requires long training times to obtain a qualified commercial pilot who adequately meets the compulsory criteria to serve with an airline, thus the numbers of available pilots are not sufficient enough to supply to the market while more and more new routes will be created and greater numbers of aircraft are purchased for commercial growth. As a result, airlines have a tendency to poach pilots from each other or to hire foreign captains by paying higher wages, leading to the unfair competition for human resources in the airline industry. ASEAN airlines may place themselves under threat in terms of safety when they are unable to guarantee the quality of their pilots because of the vastly different standards among foreign pilots. This finding conforms with Lutte and Lovelace's (2018) results revealing that in a competitive environment where hiring is occurring at most regional carriers and competition for qualified pilots is steep, new candidates are in a position to be selective about the airline they target for employment. Large numbers of aspiring pilots indicated they would be willing to fly overseas due to the opportunity to earn higher salaries and pay is the top motivating factor for targeting a specific regional airline for employment for the collegiate flight student in the pipeline. In addition, potential pilot strikes will cause heavy impacts on the airlines' operations with flight reductions or cancellations.

From this qualitative data analysis, we can conclude as following:

➔ Focusing on staff training and paying higher wages will help airlines to improve service quality because the shortage of qualified employees, lack of working passion and unattracted salary are key factors to derail the airline's services.

4.2 Airline strategies in response to impacts from broad environment

4.2.1 Technological Change's impacts and strategies developed by airlines

The technology stakeholder impacts positively on the airline industry. Firstly, it is crucial for Airlines to regularly invest in their fleets for fuel efficient engines to save operating and maintenance costs. Second, another type of technology employed in the airline industry relates to the airport side, that being the increased usage of self-service check-in, self-baggage-drop off and biometric technology for immigration management. Third, airlines need to smoothen interactions with their customers through leveraging online distribution systems and mobile services, thereby enhancing traveller knowledge and the passenger experience.

Online distribution systems greatly aid low-cost carriers in cost savings by reducing or eliminating the cost of commissions paid to third parties, i.e. travel agents. The findings relating to the customer interactions aspect confirms the work of McIvor et al. (2003), showing how airlines are using the internet to provide innovative exchange mechanisms and transaction structures with customers. These researchers confirm that exploitation of the internet at the customer interface level has become a key catalyst in the transformation of the airline industry, leading to higher levels of sophistication in increasing the expectations of the customers on what and how the organization

offers its products and services.

Additionally, the employment of big data has become a new trend for any organization wishing to research different purchasing behaviours, therefore, airlines can analyze big data to predict new customer trends in order to enhance their customer service and compete effectively with their opponents. According to the research of Kasturi et al. (2016), based on the Meta-Heuristic algorithms method, big data analytics on aviation data assists in varying routes, shifting passengers, freight, speeds, total distances and amounts of departure fuel, from which an effective flight plan can reduce fuel costs, route distances, overflight costs, time-based costs, and lost revenue from payloads which cannot be carried. However, it also requires large investments in data analysis programming for filtering relevant data into usable information, and then processing the data. At the same time, airlines need to use digitization to enhance and optimize operations to reduce costs while improving service, which is employed by large airlines such as Qatar Airways and AirAsia. The findings are in line with the study of Bohlman (2017) stating that airlines "*need to put technology to work in predicting and preventing equipment failures, in optimizing processes and productivity on the ground, and in providing better and timelier information to employees.*"

Airlines are not able to ignore technological advances because these can differentiate them in the currently tough competitive environment, and customers will seek out those airlines who bring them added value while also maintaining competitive prices. This trend should become clearer in the next few years when technology penetrates deeply into every aspect of human life and becomes indispensable to daily routines and habits. This conclusion is in line with Al-Hashimi and Fuad (2018)'s research stating that "*the evolution of technology has enabled the airline to provide an efficient service, the portable innovative technologies have become very important to gain the customer loyalty and maximize the satisfaction.*" Their results prove that the majority of the respondents would make their decision based on the innovative technology available in the chosen carrier, however, customers also highly take into consideration the ticket prices and fare regulations.

From the qualitative data analysis, we can conclude as following:

➔ The adoption of technical innovations relating to aircraft convenience and comfort, online ticket purchasing, the check-in process, and mobile integration will deliver advantages over non-adopting or slower adopting competitors.

4.2.2 Global Political Forces' impacts and strategies developed by airlines

Following their review of the various "push" and "pull" factors affecting demand in terms of the aviation industry, Addepalli et al. (2018) conclude that the airline industry continued to grow despite a variety of extrinsic and intrinsic variations, then established itself as an independent transport mode representing a growing global community. The airline sector continues to grow despite huge political and economic disturbances. It is resistant to all those changes, in other words, it is predominantly a "resilient" industry. This conclusion does not totally accord with our findings from interviewing 19 aviation experts in the ASEAN region. Despite the ASEAN Aviation Industry Outlook showing potential for the ASEAN airline industry to develop, grow and welcome new entrants, the political situation should be viewed as a matter of potential concern because it can become unstable

and unpredictable when conflicting national interests collide. The South China/East Sea maritime dispute between China and the littoral ASEAN countries is considered a latent risk for the ASEAN aviation industry. Even though most aviation experts agree the ASEAN airline industry is growing and booming, volatile fuel costs, airlines ceasing operations, etc., will become extreme issues, as will control of the skies when territorial or maritime disputes arise, and obviously, ASEAN airlines are strongly affected because they must fly the skies in these areas. In reality, there exists a school of thought which posits that war will never happen again in the ASEAN region, despite the continuing existence of some serious international tensions, because the people of ASEAN have experienced and suffered the ravages of wars within living memory and the people will avoid war at very considerable cost. Since the physical geography of their locations cannot be changed, it is incumbent upon all neighboring countries in the region to maintain at least amicable political relationships with each other for the common good.

From this qualitative data analysis, we can conclude as following:

➔ It is not possible to measure the effect of the political environment factor to the airline industry, especially when confronting the domination of China within the ASEAN region, leading to extreme issues.

4.2.3 Legal Forces and Government's Protection's impacts and strategies developed by airlines

Legal forces generate both positive and negative impacts on the airline industry. Greater liberalization of the airline industry and government deregulation through the Open Skies Agreement have made air travel accessible to millions of people in both mature and emerging markets alike. In reality, the Open Skies Agreement will not be truly achievable when there is a lack of equivalence or relative parity among member countries because the success of a single aviation market requires similar conditions among all participants. Less economically developed nations and their smaller airlines are taken at a disadvantage by signing the Open Skies Agreement, despite being granted the same rights as other participating nations, because their competitiveness is much weaker. Cambodia and Myanmar, for example, lag behind in promoting some level of Open Skies regulation because both lack competitiveness and suffer from weaknesses in aviation management. Comparing Laos to Thailand, the differences between the airlines and aircraft of the two countries are vast and stark, reflecting the level of economic disparity between those nations.

Weaker airlines encounter difficulties in procuring slots to fly into stronger countries because those stronger countries will prioritize allocation of slots for their own airlines. Vietnam Airlines, for example, can employ fifth freedom rights to fly Hanoi – Vientiane – Phnom Penh – Saigon since Laos and Cambodia are smaller countries and are naturally inclined to offer slots as their airports are under-utilized and have surplus capacity. However, it is virtually impossible for any Cambodian airline to use fifth freedom rights to fly a route such as Phnom Penh – Jakarta – Singapore – Phnom Penh. Firstly, they will encounter a dearth of slot availability, and secondly, they will not be able to prevail over the airlines of those countries, which are larger and branded. In addition, weaker airlines are threatened with elimination by stronger airlines if they do not seek the protection of their Governments in order to gain some measure of equivalent strength.

This is evidenced by some ASEAN countries, Indonesia and The Philippines for example, not joining the Open Skies agreement in totality because their Governments aspire to protect their national carriers.

For stronger airlines, they can take the deregulation opportunity to penetrate deeper into other markets and create competition through the lowering of ticket prices. In such a competitive contest, some airlines will see an opportunity to improve themselves through better service provision while some will be demanding protection from their government in order to ameliorate their opponents' robust competition. National Carriers demand their governments negotiate favorable agreements to their benefit, and can regulate the Open Skies Agreement at whatever times they prefer. From the Vietnam Airlines point of view, as a national carrier, it supports the Open Skies Agreement because this encourages more tourists to visit the country, which is profitable for the national economy overall. With more competitors in the market, the airline aims to improve itself through better service provision. This finding appreciably clarifies the analysis of Laplace and Latgé-Roucolle (2016) when they conclude that the economics of air transport liberalization are not insignificant for the ASEAN countries. Given the magnitude of the estimated effects, the benefits would certainly outweigh the negative effects of competition on their flag carriers.

In fact, the Open Skies Agreement does not guarantee a pure competitive environment, as per the aim of the policy, and it is a challenge to take advantage from the air transport liberalization. Concerning the commercial aspects, the procedure for establishing a new airline are not easy in some of the region's countries, in particular, Vietnam. The process can take up to one and a half years to complete and before launch of the inaugural flight. Local enterprises who may wish to invest in the airline industry must have access to capital amounting to billions of dollars and a sound business plan for acquiring aircraft, both not insignificant barriers for new market entrants. These findings are attendant to the conclusion reached by Tan (2015) when he states there is a lack of a supranational mechanism through which to prioritize regional interests above individual or national interests, and ASEAN's individual member states' interests and levels of development are too disparate for such to currently exist. Since ASEAN's SAM objective is not strictly required to be adopted among the individual member states, reluctant states can filibuster the entire project if they do not see it as being in their interest to participate. In ASEAN, the countries who are not willing to implement the full Open Skies Agreement, and only adopt it selectively, include The Philippines and Indonesia, who protect their national carriers Philippine Airlines and Garuda Airlines respectively.

According to Tan (2015), E.U. airlines can now merge among themselves, given the market freedoms, but this is impossible for the ASEAN airlines. All these market imbalances can only be corrected if the ASEAN states begin to treat their own backyard as a true single market, yet this will take years to be realized (Tan, 2010). However, this finding adds to the point of explaining why it is impossible to merge national airlines between different countries in ASEAN, as these airlines and their governments also confront objections from Southeast Asian people due to their nationalistic and patriotic nature, an important element which Tan (2015) overlooks in his studies on the regional aviation industry. Furthermore, the conclusion reached by Oum et al. (2010) supports the affirmation by Tan (2015) when these

researchers conclude that protection and regulation did not lead the airline industry to efficiency and profitability as expected by policy makers. They believe countries leading deregulation and liberalization scored a variety of benefits for their aviation industry as well as overall economy. Therefore, it is important for first mover countries to maintain their leadership in liberalization, and it is urgent for countries still practicing tight regulation to launch themselves onto the liberalization wave.

From this qualitative data analysis, we can conclude as following:

➔ Since the Open Skies Agreement does not guarantee a pure competitive environment as its aim, national airlines demand their ASEAN states's protection for their national interests.

4.2.4 Natural Forces - Covid-19 Pandemic's impacts and strategies developed by airlines

Since early March 2020, the majority of countries across five continents closed their borders and limited domestic travel as a key measure in responding to the Covid-19 outbreak. The fact that flight cancellations are forced to control the spread of the coronavirus has affected to the entire airline industry in the world as well as in ASEAN. According to the International Air Transport Association (IATA), the impact of the Covid-19 outbreak represents a total global lost revenue of \$314 billion in the airline industry and 55% fall in passenger revenues resulting in a liquidity crisis for most airlines. In IATA's analysis, up to 4.8 million jobs in aviation and 46 million jobs in aviation relating services may be lost. The tourism translates into a drop of 850 million to 1.1 billion international tourists and leading to approximately 100 million direct tourism jobs loss. With the most positive outlook, the passenger traffic in 2025 will remain 10% below the levels originally envisaged before this sanitary crisis (IATA, 2020). The airline industry is in need of up to \$200 billion of cash projections and loan guarantees to be saved from the collapse. During this crisis, the government's role become more important in providing short-term loans, grants and tax relief to airlines. Should the disruption prolong, there will have significant knock-on effects throughout the aviation industry including airport operators, the airframe and engine manufacturers and the entire aerospace supply chains (KPMG, 2020). The actual impacts depend on duration and magnitude of the outbreak and containment measures, availability of government assistance, the degree of consumer confidence for air travel and economic conditions (ICAO, 2021). In Brown et al. (2020)'s analysis of corporate reports and financial statements of major U.S. airlines, they found that management's focus on the pandemics was extremely low to the point of almost non-existent in places. We agree with their conclusion that "*airlines did not take seriously the full threat of a true global pandemic in light of exponential growth in international airline travel*".

From these brief data collected, we can conclude as following:

➔ Travel restrictions on an unexpected pandemic has a negative impact on airlines' operations and financial condition, airlines need to demand supports from their governments in terms of short-term loans, grants and tax relief.

5. Managerial Contributions

In this era, it is not possible to measure the effect of the political, i.e. war and natural environment, i.e. Covid-19 pandemic factor which

might lead to extreme issues such as the cease of operation, bankruptcy due to shortage of finance or even the collapse of the airline industry. According to McKinsey's partners (Alex Dichter and Robin Riedel, 2021) upon the outlook for airlines after the recovery from the pandemic, the fast recovery for traveling demand tends to be for leisure traffic than business traffic. The optimistic scenario to back to normal or at least back to 2019 volumes will take place by the end of 2022. When demand comes back, industry leaders believe that it would come back fast and we will see again long queues in airports, lots of delays and canceled flights, and the vicious circle might return.

As a result, our findings also act as managerial contributions for airline executives to take into account while setting strategies to adapt to each type of stakeholders in the post Covid-19 era. Since the traveling public diversifies in nature, airlines are demanded to employ separate strategies and approaches to target different consumer demographics in order to optimize their sales efficiency. Sales through digital distribution channels will increase markedly and become the key customer service channel. However, airlines must still engage third parties to sell flights in order to optimize sales, despite their preference for a more direct distribution channel.

In a tough competition, Low-Cost Carriers (LCCs) would force Full-Service Carriers (FSCs) to differentiate themselves instead of focusing their efforts on price competition with LCCs. Focusing on staff training and paying higher wages will help airlines to improve service quality because the shortage of qualified employees, lack of working passion and unattracted salary are key factors to derail the airline's services. On another hand, airlines must have flexible strategies based on their resources in order to deal with insufficient quality and increased costs delivered by key suppliers, including airport operators, aircraft manufacturers/lessors, and fuel suppliers. Lastly, the adoption of technical innovations relating to aircraft convenience and comfort, online ticket purchasing, the check-in process, and mobile integration will deliver advantages over non-adopting or slower adopting competitors.

In addition, since the regulations facilitating air liberalization do not guarantee a pure competitive environment as per their aim, national airlines demand their ASEAN states's protection for their national interests. The role of the government has become more important when travel restrictions from an unexpected pandemic covering a negative impact on airlines' operations and financial condition, airlines need to demand supports from their governments in terms of short-term loans, grants and tax relief. However, government or private shareholders are advised to remain passive and not to be directly involved in the carrier's operations, allowing for further efficient independence and operation in order to achieve a healthy competition in the airline industry.

6. Theoretical Contributions

Through our findings from the qualitative data analysis above, we find that our study is in line with Freeman's (1984) Stakeholder Theory, especially the stakeholder perspective in this industry indicates the mutually interdependent relationships between the airline and its stakeholders. The theoretical contribution is the proposal of the re-organization of the stakeholder environment's level based on the study of Freeman, Harrison, and Wicks (2007), through Figure 3 for the airline industry in particular. The research proposes that Government and Competitor stakeholders in the airline industry play more

important roles within the primary stakeholder environment than the Communities as in the study of Freeman, Harrison and Wicks (2007), since these elements have a direct effect on organizational performance and strategies.

environment in a normal situation. The findings also indicate the effects from natural hazards such as earthquakes, floods, hurricanes, tornadoes, volcanic eruptions, tsunamis, epidemics on property damage, the airlines' business and passenger safety, and has been taken

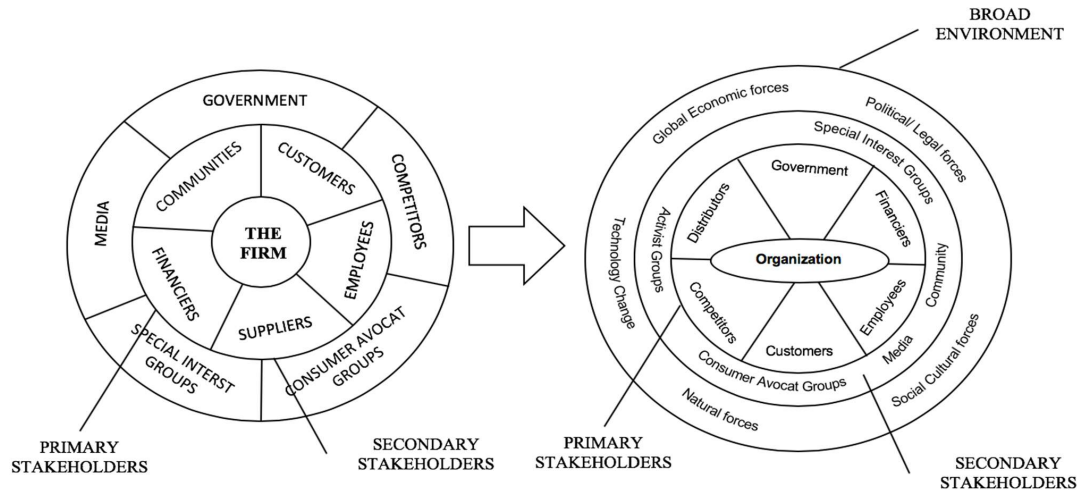


Fig. 3 The Organization and Levels of Stakeholder Environment

Shareholders, as cited in the airline industry, can be understood to be located in the Financier stakeholder because they legally own one or more shares of the stock in an organization and their influence is determined by the shareholding percentage owned. The shareholder's financial engagement contributes to, and creates, stakeholder value for the organization. Thus, the shareholder is regarded as part of the Financier stakeholder, and takes the premier priority within the stakeholder level for its direct effects on the organization.

Additionally, the Employee stakeholder should be positioned in the primary stakeholder environment rather in the central organizational environment as indicating in Figure 2. According to previous researchers, employees are considered to be internal stakeholders that affects the profitability and sustainability of the companies (Galbreath, 2006). This study corresponds with the work of Freeman, Harrison, and Wicks (2007) in pondering the Employee as a separate stakeholder group, located in the primary stakeholder level, since the employees' competence and attitude severely affects the airline's business. In the study of Harrison and John (1989), these authors have positioned the Employee stakeholder, together with Owners/ Board of Directors and Managers in the Organization environment. However, our research proves that although employees in the airline industry can affect the organization's interests, they do not make any strategic decisions for the company as they do at managerial levels. Therefore, the Employee stakeholder should be positioned in the primary stakeholder environment as in Figure 3 rather in the central organizational environment.

In the debates of Vazques-Brust et al. (2010) and Siriwardhane and Taylor (2014), stating that the organization has little or no influence by the Broad Environment, which does not entirely fit the nature of the airline industry, especially in the present time, where those four forces have become more complicated in such a chaotic world. We may conclude that the stakeholder's positioning in the Broad Environment has a smaller influence than those which are segmented in the operating

into account as a significant factor in the airline industry or indeed any other industry, specifically with the example of the current Covid-19 pandemic. Thus, the study suggests the addition of a "Natural forces" element into the Broad Stakeholder Environment in subordinating further to the research of Harrison (1998, 2007), St. John (1998), Freeman and Wicks (2007).

Through the research, we find that the secondary stakeholder level, that of Media, Communities, Special Interest Groups, Activist Groups and Consumer Avocat Groups, has less influence than those at the primary stakeholder level for the airline industry. The factors segmented in the primary stakeholder and the broad environment levels take more important position than those segmented in the secondary stakeholder level. While Harrison and John (1989) have incorporated elements primary and secondary stakeholders in one operating environment, we support the priority ranking of stakeholders for an airline to shape its environment. This prioritization ensures that strategic management will focus on the most important elements and the organization would implement its efforts to focus on the most critical business needs and requirements in dealing with the upheavals in the business environment.

7. Conclusions

In short, this paper examines various layers of the international airline business environment through the synthesis of qualitative data. Our discussion leads to the conclusion that the ASEAN airline industry is mostly affected by key stakeholders namely customers, distributors, competitors, suppliers, shareholders and employees. Within the broad environment, the elements such as technology change, global political forces, legal forces and natural forces are specifically vital to the airline industry in ASEAN. Our theoretical contribution proposes to re-organize the stakeholder level based on the work of John (1998), Freeman, Harrison, and Wicks (2007) into three levels, in which we

emphasize that the primary stakeholder and the broad environment would cause significant impacts for the airline industry, while the secondary stakeholder is less important as in accordance with the stakeholder's classification of Clarkson (2005). Our research is in accordance with Freeman (1984)'s classification of stakeholders based on the influence of power and interest level matrix and in a specific situation, a certain stakeholder will become a prominent one.

The findings show that airlines' managers have filtered their common actions, interests and determined optimal strategies for stakeholder management in responding to current issues. This study supports the ideas of strategists such as Baron (1995), Shaffer, Quasney, and Grimm (2000), Jones, Kunz (2005) and Rodgers et al. (2018) engaging non-market strategies as a source of competitive advantage. Non-market strategy is essential for organizations to get competitive advantage and this issue becomes a relevant problem in the studies of strategic management (Xie, Jin, and Jin, 2009). Companies in a wide range of industries invest their effort in monitoring and researching emerging drivers of change in their business environment, especially in the domains of new technologies, events of social, economic, political and the ecological scene (Vecchiato and Roveda, 2010). According to Henisz and Zelner (2003), business organizations not only compete for their share but also touch to the political arena in order to manipulate regulations, laws and other institutions that govern the marketplace. This type of stakeholder management strategy encompasses how an organization deals with government, interest groups, activists and the public.

The non-market strategies are employed in the ASEAN airline industry including the use of political lobbying and mass media for the market influence and for competition. Many organizations can engage in non-market strategies to outdo their competitors in the market or to secure a monopoly of the market. The examples of such companies are normally found in the U.S. but can also be found with the presence of new entrants entering the ASEAN airline industry. Researches on non-market strategies refer to lobbying aspects from corruptive behaviors (Mauro, 1995), indicating that an organization can use partial ties to engage non-market strategies to mitigate political risks, thereby to establish a mechanism against arbitrary institutional behaviors (Dieleman and Boddewyn, 2011). Mellahi et al. (2016) suggest to employ stakeholder theory, agency theory, institutional theory, resource-based views, and resource dependency theory as theoretical backgrounds to examine non-market strategies. We do not focus on non-market strategies to develop stakeholder theory and resource-based views for the literature, which is a limitation in this research. However, this issue should be studied in further researches to confirm this assumption while the current phenomenon is not sufficiently transparent to figure out.

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