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**PUBLIC SECTOR MARKET ORIENTATION IN FINLAND AS A PROCESS
OF PRIVATIZATION: A CASE STUDY ON FINAVIA AND THEIR
COOPERATION WITH FINNAIR**

Master's Thesis in
Public Management

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ABSTRACT:

Background of the study: Market Orientation has become very popular in business profitability, though in public sector it has different use. This term turned into privatization by orienting public sector reform, process outsourcing, and transfer of public goods to private companies. After Second World War, from giant public organizations to medium enterprises tried to build strong public sector to ensure maximum public satisfaction in terms of welfare service. The research is based on how public organizations have opted for privatization as a process of market orientation.

Research problem: To accommodate the term “market orientation” into public services, considering the bureaucratic aspect. Finnish public sector is equally successful as private sector, therefore the extent of needing privatisation is being debated alongside the reasons behind adopting this approach. This thesis will try to disclose the reasons of market orientation by analyzing incorporation in Finavia and will highlight the results of the analysis.

Theory/central concepts: The research has been inspired by worldwide used phenomenon “Privatization”. This term has been very substantial from country to country in this globalized periphery. After successful implementation at policy level of first world countries, it is also influencing third world nations as well. Though there are many bureaucratic challenges, orienting some development factor like reform regions like Asia is also privatizing government services to ensure service efficiency and making public sector more profitable. Major part of theoretical study of this thesis is built up on new public management, public choice theory and incorporation process. For organizational structure new concept of hybrid organization has been analyzed.

Method and material: To meet the research objectives, qualitative research method has been used and interview method was followed. Different books, reports, journals and other published materials were utilized during this research. Finavia and Finnair were used as case study. An elaborate relationship between these two organizations have been discussed among the key findings of this research.

Findings and results: This thesis has disclosed the benefits observed in Finavia after incorporation and also has pointed out the challenges. This research has visualised the reasons of incorporation and the changes within the organization and it has also focused on the customer relationship as a result of incorporation. The findings will help the readers to determine the necessity of market orientation.

Conclusions: Having different obstacles and relatively high ambitious aspect, market orientation in public sector has gained comparatively more business viability in Europe and particularly in Finland.

KEYWORDS: Market orientation, privatization, incorporation, hybrid organization.

1. INTRODUCTION

1.1. Background

It is a common trend of developing and industrialized countries to transfer the state held assets to private hand because of substantial benefits to divesting government, the new owners and the citizen of a country; that is now commonly known as privatization program. The transition process from a state owned organization to a newly formed private ownership is a complex process. Privatization and deregulation program is driven by the belief that they are more efficient than public ownership under a monopoly situation though it has not been theoretically proven. Among Nordic countries; Finland, Sweden and Denmark have been affected by the terms of privatization and shares of public ownership despite a reputation of welfare system and a tradition of public intervention. In Scandinavia, the term privatization is sometimes used when objectives become commercial without a change of ownership and thus it denotes a change which reduces shareholdings and removes state control. (Otenyo & Lind 2006)

Finland is an industrial country where ownership is still a matter if objective differ. However, state-owned firms became more oriented towards customer, profitability, shareholder value, and growth oriented in 1986–90s which led to emerged privatization. State-ownership amounted to 18–22% of industrial value added, 12–15% of industrial employment and 23–30% of the export, before the privatization wave in Finland. This can be compared to shares of value added such as 13.9% in Austria, 10.5% in Britain, 7.1% in Germany, 6% in Sweden and 1–2% in the US (Willner 2003: 1–17). Selling state enterprises becomes an agenda through a government blue print in 1991 in Finland when the left party was still in government and though the next government was right wing but still favored privatization. On the grounds of the economic recession they prevented privatization and the policy continued from 1995–2003 by the broad coalition that ruled after a swing to the left. The new centre-left government after 2003 supported the state to remain a big share owner without ruling out some divestiture (Nakemys &

Willner 2003). The policy documents that the motive of privatization is explicit and debated issue, but the blue print that stated privatization on the agenda explains public ownership is as efficient as private and emphasizes sales revenue as the most important motive (Willner 2003: 3 – 4).

Market orientation indicates the changes of organizational structure and pattern of ownership within the process of privatization. This study will focus on the reasons behind market orientation that derives a public organization toward private. Despite of publicness, many public organizations are acting as private in nature more and more. The lucidity of entirely public or private organizations seems to be largely over. Accordingly, some former governmental organizations have taken a more autonomous role, and can now be understood as hybrids (Russel R. 2000). These hybrid organization maintains a shared ownership between public and private. One of the main reasons of market orientation is abolish monopoly and create competition in market. We will also focus on the efficiency and competition situation through customer opinion in this thesis.

1.2. Aim of the Studies and Research Questions

As a welfare state, Finnish government is concerned about state ownership. The necessity of privatization takes place because of different political, social, and economic situation though the genre of privatization process is different in Finland. The public sector is starting to produce goods, which have originally been private in nature since profitability is becoming a major fact to run an organization for long term. In the context of being more privatized, it is important to know the necessity of it in the existing market and whether market orientation is positive for the well-being of the organization. The objective of this study is to recuperate the reasons and background of market orientation in Finnish public sector by focusing on the case study of Finavia. Another aspire is to know the changes of organization that has been made as a result of market orientation. Every change has negative or positive influence, which might have an effect within the organization in long or short term. This study will disclose the

benefits and challenges observed after incorporation in Finavia. Overall, reader will get to know the reasons behind market orientation, which drives Finnish public sector for the urgency of privatization. In order to prove the above statement, this study posits and answers to the following questions:

Question 1. What are the reasons and background of market orientation in Finnish Public Sector?

The reason for privatization varies from one country to another and also in between organizations. This study will explain the reasons behind Finnish market orientation and the background that drove this movement. The empirical chapter of this thesis will recuperate the factors behind the creation of a company that is hybrid in nature by analyzing incorporation process in Finavia.

Question 2. As a hybrid organization, what kind of organizational changes have been made in Finavia and how is the present administrative structure? What kind of structural changes and development needed to be done for these?

For market orientation study in Finland, it is very important to know what kind of organizational changes need to be done for incorporation process. In the fourth chapter of this study, the organizational changes of Finavia and the present management style as a hybrid organization have been disclosed. The thesis will also focus on the ownership, management pattern, the employee status, and overall organizational changes after incorporation.

Question 3. How incorporation of Finavia has affected its relationship with Finnair?

As the biggest customer, the incorporation process of Finavia has some effect on the relationship with Finnair since incorporation drives any organization to be more customer-centered. This study will find out to what extend the customer relationship has been strengthen with Finnair as a result of incorporation in Finavia and how Finnair has

benefited as the present structure of Finavia suggests to treat their client differently than the former public agency.

Question 4. What are the benefits and shortcoming of hybrid organization?

Finland's state enterprise sector is larger than many other countries and public sector is fairly as successful as private sector. Public sector is often well reputed for cheaper services, on the other hand private sector introduces competition. The comparison here comes with the question; if being market oriented has benefited with cost efficiency. Market orientation results in the pattern of hybrid organization. This study will find out the benefits and shortcoming of hybrid of organization as a result of incorporation.

1.3. Significance of the Study

Market orientation in public sector has become pretty obvious for almost every government agencies to compete with the private companies. Taking that into consideration, Finnish government has taken a large step by incorporating Finavia and managed to ensure sustainable business growth since 2010. In this thesis, qualitative research method has been followed. For gathering information about the empirical part both primary and secondary data has been used. Written and oral interviews were conducted for data collection with Finavia and Finnair. Annual reports of Finnair and Finavia, articles, journals, documents, and other published material by Finnair and Finavia have been used as secondary data.

From this thesis readers will get the knowledge about the reasons behind market orientation and also know the process of it in Finland. At the end of the work a clear picture is drawn of the organizational changes and present management style of Finavia, which will help to understand hybrid organization. This study will shortly focus on the relation between Finavia and Finnair, which will help to understand the changes of Finnish air traffic system as a result of incorporation of Finavia. Changes of policy for

organizational system, organizational reform will be the ruling part and this thesis will conclude with revealing the benefits and shortcoming of hybrid organization.

2. THEORETICAL FRAMEWORK

The history of Finnish privatization process is not an ancient phenomenon. Some companies, which are playing successful role, have now been privatized but at the same time the state owned companies are also successful in economic development and cost efficiency. Finland has no privatization program in real. Each company is treated individually though according to the ownership structure, the government distinguishes between three main groups. In spite of some partial privatization, the first group is associated with wider objectives and will remain in public control, for example; air transport, retail trade of alcohol, energy sector and so on. In the second group state will remain the main shareholder but ownership is bound to reduce to below 50%. The third group, consists of investment object that may be divested if necessary. Market orientation can be founded among state enterprises, incorporation, privatization and the provider purchaser model. (Willner 2003: 1 – 5)

Privatization is a new fashion of today's globalization process. This modern phenomenon has recently been implemented to bring organizational effectiveness or to minimize the cost of government daily operations. But this process is not new rather had been practiced over years from Europe to Western America and Asia as a whole. Some parts of Government bodies were then privatized to get the result and now private sector is doing better than government (in terms of revenue generation and service). Almost in every country, privatization is getting popular due to cost effectiveness but the coin has also opposite side as well. In Singapore, to some extent, public sector is more efficient than private sector (industry or transportation service). Even in India, they have wide railway coverage all over the country that is in public. This is actually controversial; which one is better. Private sector is growing rapidly and is creating a great influence over the world.

This is quite common intention for most of the countries, who wants to be solvent financially by cutting their national costs and gaining profit by any means. Globalization has shortened the way to the free market economy, which is leading the direction where the country will take a stand. Some probable reason behind not

privatizing the public sector (in many countries, especially those in developing state), can be political influences. As the politicians are concerned about the vote bank, they do usually serve the objective of the employment to ensure the empowerment in the ruling party. The elected members of the state have, somehow, poor willingness to make State Owned Enterprises (SOEs) into profit oriented organization due to political reason (Shleifer & Vishny 1996).

2.1. New Public Management and Public Sector Reform

The economic recession after 1970s and early 1980s, led many countries to reshape the organizational structure by reforming traditional public administration concept to a new era of sustainable development, which is called New Public Management (NPM). The reform towards new public management had several substantial intentions to improve the service quality, bring efficiency, ensure productivity, and make the market more competitive by orienting privatization and decentralization. The member of Organization for Economic Cooperation and Development (OECD) countries were pioneer to adopt new public management. The state policy was revised to make the government less accountable and let the private sector to ensure positive changes; it was a very risky step for those countries. Several political as well as economical instabilities caused the rise of the privatization or/and corporatization (Colley & Head 2014: 392–393).

New Zealand is the great example for public sector reform that was introduced by Fourth Labor Government during 1984 to 1990. Almost every state owned sectors were under this scope which had significant influence over central legislation. Performance based contract was initiated and departmental autonomy was increased on the other hand. Reporting was also changed as board of directors were supposed to report shareholding ministers. All these changes were objected to ensure efficiency at the same time gain profit in terms of economic aspect. As State Owned Enterprise act was formed, all the management of these sectors was expected to be carried out the Ministry's

length. However, this limited extent initiatives provided a ray of hope to expect a long term profit in New Zealand. (Goldfinch 2013: 83).

New Public Management has played a significant driving role in public policy reform in Australia as well. Dramatic changes had been introduced many times before privatization taken place particularly in employment services that gained tremendous reputation throughout the globe. The substantial reform took place in this sector as priority. The Howard government formed Job Network (1998) whereas Job Services Australian (JSA) was formed by Labor government in 2009 onwards considering the unemployment percentage through private agencies. The JN model had a strong focus on outcomes as it moved from a provider of assistance to a purchaser of services. But after ten years of implementation, this model has observed some manipulation in policy settings and so JSA was introduced (O'Sullivan & Nguyen 2014: 472).

Considering the public policy reform by introducing new public management, Australian Institute of Public Policy and Institute of Public Affairs indicated that private sector has been influential for service delivery and the state gets political benefits for smaller government to reduce the high debt. The competition between public and private sector was out flow which is one of the major planks of NPM. Public private partnership was also a form of policy reform. Several Australian governments were interested to bring strong reform options. By 1997, Australia was considered as the leader in public sector reform. But the privatization process was slowed down in several countries due to the mass opposition to reform the public sector and political realization. The policy makers or innovators often act beyond political circumstances into the policy process. The policy reform can be pursued through different set of actors like administrative support enhance political driven reform whereas political support ensures administrative reform. These reforms usually take place when the political and administrative elites want to bring any significant changes throughout the administration and policy process to gather public support or any sustainable development.

Bureaucrats are also emerged as the actors of policy changes who are barely visible than political actors. Perhaps, they can influence, to some extent, any policy decisions that

might be denied or disagreed by the political actors. Peters (2010) identified two versions of agency ideology where new political leaders could encounter the bureaucratic confrontation that was different from departmental view or tough ways through which the bureaucrats try to keep existing policies based on their professional views that is upon their field of expertise. According to him, bureaucrats interested in changing policies may have to wait a number of years before implementing their ideas, so that sufficient popular and political support can be generated. (Burkitt and Whyman: 1994: 279)

Sweden as a Nordic country also experienced the massive public service demand after the Second World War. The country had to increase the public sector investment because the manufacturing employment was declined significantly during 1970s to 1980s. So the expansion of public sector service was really visible, which can be compared to early industrial revolution. By lower economic growth, Sweden had to struggle to meet all the public demand and it was difficult to engage more people on public service. Government decided to adjust the wages that led to severe industrial relations conflict during 1980s. In the early 1970s, the social democratic youth movement (SSU) suggested to decentralize the decision making process by incorporating various community and replacing local administration. (Burkitt and Whyman: 1994: 280)

This approach was widely accepted during the labor movement, which was adopted by a government commission in 1988. Unlike western world, free market economy and neo-liberal ideology forced Sweden to redesign the public sector, which was put as a top political agenda over time. To meet mass service requirement, they had to allocate the resources efficiently at the same time they had to consider the private provisions. (Burkitt and Whyman: 1994: 284)

2.2. Market Orientation in Public Sector

Market orientation is an open system that is a lengthy strategic process. In public sector it requires the political stability and uniform governmental support. Market orientation is still not an established phenomenon in public sector. Here the term market orientation will be discussed on the basis of the market factors on the process of the change of privatization.

A market is a place where the sellers want to sell their product in a competitive situation with the presence of buyers. Here no one can influence the price formation and the product details are available.

Market orientation is not the same concept for both public and private sector. In public sector market orientation grows with the interaction of environment on the process of market orientation or privatization process. The background of market orientation has been built in the theoretical discussion of public choice theory and in the growth of public sector. Moreover, market orientation does not have a specific or established definition. We can simply define market orientation as the process or change from public sector to privatized company.

Characteristics:

- Market orientation is the strategic process of privatization which relates the changes caused by public sector reform.
- It is the process of changes in guidance and control.
- It grows on the theory of public choice.
- It provides the ability of market organization to compete with international markets, adjust with the new system
- The speed and degree varies but the reformation process of market orientation is always in stages.
- It helps to improve the profitability, production quality, branding and production image.

- When the traditional public administrative system gets weakened, market orientation helps to relinquish it by new task, environment and context.
- It is an adoption of new economic framework and competitive situation caused by privatization.
- It changes the organizational policy, position of personnel, and clientele.

For the demand of public goods, political reasons and concept of equality between social classes, the growth of public sector is mostly faster than the rest of the economy. In Europe the experience of market orientation varies in different countries from different points of view. But there are still some common criteria observed such as; effectiveness, competition, cost efficiency, quality, and personnel cuts. Although the result of market orientation is influenced by market factors, it varies with the government, public choice, economy, and culture from one country to another. There is no detailed report about the after effect of market orientation from public or political party (Salminen & Viinamäki: 2001).

Market orientation is a new era of customer centricity that is committed to ensure superior customer value. This business term has been practiced around the world for sustainable business development since making profit and competition in market has been substantial. Every private organization is trying to develop their business by learning about their competitors' capabilities and strategies. Public enterprises on the other hand has also been implementing different activities to compete with private organization to make profit and to make public sector an efficient body to perform better in order to meet massive customer/public demand. Market orientation was measured by the organizational behaviors of customer orientation, competitor orientation and inter functional coordination. (F. Slater and C. Narver 1990: 69)

If we look into the public transport sector from last two decades, it is observed that it is passing significant changes in different country. This sector is either operated by the government itself or by some agencies that has a direct contract with political parties. So, it has to be changed from passenger's point of view in terms of customer

satisfaction. So, there are two major goals of most public transport countries to increase the number of passengers and ensure their satisfaction. Unlike the rest of the world, Europe has a vision to double their market share by 2020. To achieve this goal, they have taken several initiatives like adverse marketing, developed service quality and introducing new transport strategies. These strategies include route changes, timetables as well as vehicle development; everything is to be done as preferred by passengers. (Molander, Fellesson, Friman and Skalen: 2012: 157–158)

It has been observed that public sector has always had bureaucratic complexity regarding service orientation. Particularly in the welfare sector where people have limited contributions to pay, which is not profit oriented. Hence it was ignored or somehow deprioritized for the people worldwide. But this dimension was changed after the second world war and most of the countries were committed to strengthen the public sector by reinventing better ways to develop state infrastructure. As part of this initiative, more customer focused services were deployed and customers had a chance to provide feedback according to the service that is provided by the state. A survey performed by USA indicates that the marketing people have lack of perception and also they have low understanding level in marketing function. However, the public organizations are now appreciating the marketing strategies and they have started to practice it in various departments. Since market orientation is more of customer orientation, the public authorities need to improve all activities that is relevant to customer relations like, advertisement, sales, customer service, complaint management, network design, and product specifications. (Molander et. all 2012: 164)

Customer demands and behaviors are changing rapidly in terms of service and satisfaction. Private companies are trying to adjust themselves according to the need of diversified customer demands. Public sector here is a big part of state provide majority welfare service to its citizens throughout the world. Kohli and Jaworski, 1990 identified three drivers of market orientation that is related to organizational change, which are departmentalization, formalization, and centralization. There was some analyst who supported decentralization. Ongkittikul and Geerlings (2006) suggested that deregulation of any particular service sector may bring innovation rather than reform.

Some scholar brought different organizational system for rewarding the particular body, when the service level will increase from a benchmark, that operator will be rewarded, it was expected that the service improvement will be ensured through this process. All these initiatives were taken into account for the development of the public sector service improvement and gaining profit by being more customer centric. Customer satisfaction was also considered as the key factor of market orientation. (Molander, Fellesson, Friman and Skalen: 2012: 165–166)

2.3. How Privatization Puts Emphasis on Market Orientation

The privatization process is becoming a popular phenomenon because this process offers the government substantial benefits though the handover of ownership sometime creates complex situation. In Asia the privatization process has begun in 1960's and in the mid 1970's it also spread in Chile. At the beginning, the result was not successful. After world war II there was an urgency to rebuild the socio-economic structure. In Europe the broken economic infrastructure, job urgency, political pressure, and financial losses for the non-profitable management and all these factors drove the privatization process. This process flow has spread in Asia, Latin America and Western Europe. The privatization of British telecom was a big example of profit gaining and increasing of employment rate, though it had been criticized by the labor unions. The British Airways and British Steel company were previously going through loss and now they are one of the world's profitable companies. After fifteen years of losses Neorion a Greek shipyard company has made a dramatic example of the benefits of privatizing states' assets. In 1995, the government of Russia has converted 75,000 former state owned businesses to private ownership. In Asia, China has begun their privatization process in 1998 after the govt. found 90 percent of loan granted from central bank is going for the support of money loss of state owned companies. The number of privatization in developing countries rose from 700 to 2,600 during the period of 1980–1987 from 1988–1993 though the amount is very small considered to the whole (Russel R. 2000: 1–150).

Some countries of Eastern Europe implemented privatization with highest attention but the former state of Soviet Union are far behind in this process. It has some reason not to go with the transformation of economy to the private sector investment because the economy of Russia, Hungary, Slovakia, Bulgaria, Romania were very fragile. Britain, here, is the exception who led the world of privatization. They set an example to the world by privatizing British Telecommunication in 1984 and they got tremendous success. Even in China, who are considered now as one of the influential countries in the world, taken the decision to privatize some sector, which were owned by non-state enterprises and those group of companies are contributing one half of China's total GDP. The state enterprises were facing tough competition and govt. announced more subsidies. Surprisingly, these subsidies are responsible for the declining of GDP as state enterprises were facing loss year after year. Modern state is responding by creating and increasing role of private, both for profit and non-profit entities in the delivery of welfare services (Russel R. 2000).

2.4. Market Orientation in Europe

Conceptually, privatization refers to changing the form of operating business from the public sector to the competitive market. The public sector, somehow, does monopoly business and may face inefficiency compared to the private enterprises. It has some reasons and there are thousands of research papers that might have been written based on this ground. Cost efficiency and making profit and to be a part of global economy, many countries have been thinking how to reduce state cost and apparently privatization is the solution that comes first. With privatizing the national services like railway, airlines, and bus services and so on, a government is actually trying to make some profit hiding the cost towards the public.

It is not astonishing that privatization got the shape of an integral part of globalized economy over many countries. Revenue collection is one of the main objectives of privatization process including broadening share ownership, reduction of government interaction and development of capital market. These objectives were measured to the

success of privatization in many studies. Kay and Thompson (1986) and Wortzel and Wortzel advised that privatization has failed to promote economic efficiency. On the other hand, Megginson and Netter (1999) proved that privatized firm dramatically improved their efficiency through financial performance and government was able to manage higher revenue by selling SOEs.

Beside the service delivery, privatization reflects the advantage by lowering public taxes. The most visible benefit of privatization is through providing immediate financial relief and ensuring smooth capital supply for the government. Taking this into account, many countries as well as governments have taken the step to privatize state and local level services and they were forced to find the alternative funding rather than depending on the government itself. Heins (1986) pointed out that Federal government was looking for alternative funding and the management proposed to privatize over 600,000 federal jobs to reduce the governmental cost. Through this process, government was able to save more than \$4 billion per year. Similarly, by privatizing the Kansas City Airport fire service, the government was able to save over \$500,000. There are so many financial advantages cited during the time from 1980 to 1990 in many state services. As reported in Annual Privatization Report 2009 of Reason Foundation's, Chicago received a \$1.16 billion upfront payment for 75-year lease of its downtown parking meter system in 2009 and right on the heels of the city's 2006 lease of four downtown parking garages (netting \$563 million). In 2005 lease of the Chicago Skyway toll road netting was \$1.8 billion (Gilory, Kenny, Summers and Staley 2011: 1–5)

"...the need to accelerate privatization in Eastern Europe is the paramount economic policy issue facing the region. If there is no breakthrough in privatization in large enterprises in the near future the entire process could be stalled for political and social reasons for years to come, with dire consequences for the reforming economies of the region." (Jeffrey 1991, De Vogli 2013:106)

After taking some example from former Soviet Union and American style capitalism, Europe, in this manner had to decide and of course to move forward by implementing democracy and privatization, which was considered as market economy. Eastern Europe

was a bit lazy to take important decisions regarding what, which and how to make the firms market-oriented. Poland and Hungary had experienced a great jump in small business activity. The question was raised that with whom to start? Is it the bureaucrats, foreigners, ex-communists or ethnic groups? The school of gradualists invented a method of market orientation, which was short run based and they argued that the newly privatized companies will not be able to play their role in the competitive business environment. Western Europe, on the other hand are considered as the most important and influential region that carried out half of the global revenues.

Sweden has started a wave of primary care reforms involving choice for the population and privatization of providers across county councils in 2007. Important objectives behind reforms were to strengthen the role of primary health care in general and to improve performance in terms of access and responsiveness to patient expectations. Choice of provider and freedom of establishment for private primary care providers became mandatory for county councils in 2010 through a change in the national Health Care Act. This initiative was expected to improve efficiency, quality, and responsiveness of health care system through threat of exit. This patient can choose to exit the relationship with provider if they are not satisfied and can cause loss for the provider. Some requirements were needed to achieve the outcome such as all individuals must have an interest in choice and they must be well informed; and Individuals must have alternative providers to choose from. (BMC Health Service Research; November 1, 2013).

Table 1. Percentages of capital sold in European privatizations (1977–2003).

Country	Deals	Average percentage of capital sold	Average percentage of capital sold through PO	Average percentage of capital sold through PS
United Kingdom	186	89.92	73.84	96.95

Germany	156	78.08	29.31	84.99
Sweden	59	77.44	33.45	87.73
Ireland	17	65.20	38.35	73.46
Spain	80	63.65	30.01	79.99
Netherland	32	60.64	24.92	82.08
Norway	34	59.95	34.16	76.07
France	114	59.26	37.81	75.99
Portugal	81	55.24	36.02	75.46
Italy	124	54.71	29.40	70.70
Finland	58	54.59	17.70	81.43
Denmark	9	46.14	32.71	68.53
Austria	58	45.70	32.73	61.77
Belgium	11	41.88	33.30	43.79
Mean	73	60.89	34.55	75.58

Source: Privatization Success and Failure (Roland & Stiglitz 2008:63).

The above table shows figures on privatization in major Western European countries for the 1977–2003 period. Countries are ranked by Average percentage of Capital Sold. Deals is the total number of privatizations.

Italy undertook the long lasting de-nationalization process in 1985 and in the same way French conservative government started to privatize its financial institutions. In 1989, Portugal, Sweden, Netherlands, and Spain joined this group. Beginning of 1990s, Belgium, Greece, and Ireland followed them. Although it was the peak time for generating revenues for the newly privatized organizations, it slowed down turning to the new century due to the global economic crisis. The total percentage decreased 34 in 2000 and 50 in 2002. But this downturn was for very short time and they regained the process in 2003 afterwards.

Different countries and governments face different type of reforms with different contexts, values and risks according to their rules and norms. In other words, they face different internal and external constraint in different stages and points of reform. Here we see two trajectories: in first group, Scandinavian Welfare countries represented by the civil services, which modernized with state tradition and rather close and resistant to external pressure. Here the reform process is more hesitant and does not cause major changes. In second group, Australia and New Zealand represented by the civil service that are more open to new public management and more vulnerable to external pressure. Here we see more radical changes (Christensen and Laegreid, 2007: 10).

2.5. Welfare Perspective

Even before World War II, it was not easy to declare a nation as welfare country. Regions like Europe and United States had invested huge amounts for the welfare of the citizens by taking massive expansion plan for child care, social security, and unemployment benefits. Several countries took part of this process for the betterment of the state through reforming the government in the light of privatization. Almost every European and Western country had to take different strategies to strengthen the state welfare by designating and allowing private companies to take over some public services so that maximum service can be ensured within the shortest possible time.

“a leading force for progress in social responsibility...by breaking [open] state monopolies, allowing charities, social enterprises, and companies to provide public services, developing power down to neighborhoods, making government more accountable’ Cameron, 2010a: p. 1” (Raco 2013: 46).

During the last two decades, privatization expanded hastily due to high bureaucratic intricacy all over the state planning system. Many community services that were previously being served by the state or local authorities; were leased away to private companies. For example, to ensure wider socio-economic changes, Tony Blair’s government introduced some significant reforms where any community could demand

quality services. Since many of the state services were contracted out, UK in particular opened up public assets to convert into investment opportunities. In the early 1990s, Private Finance Initiative (PFI) was instigated in most European countries to finance the development projects where state was not able to meet the goal. It became the influential part of modernizing public sector which turned infrastructure more sustainable and vibrant.

The ‘Contractualism’ took place in most public service to modernize specially in healthcare and transport services of UK where all the investors consumed 60 billion pound for healthcare that left the state huge debts. However, this sort of privatization was somewhat costly and had many barriers for the local bureaucracy and lack of accountability of the public servants. (Raco 2013: 49– 52)

The concept of welfare state in Nordic countries had also taken place in the early 1990s. Sweden is a great example, which has comparatively diversified social welfare system including all aspects of life. In addition to that the private firms who were working for the welfare service sector observed a remarkable increase of the employee from 11 per cent to 17 per cent in 2002 and 2010 respectively. The Swedish welfare model was based on tax funded (mainly) through which the state provided social services including insurance facilities for the citizen. But the economic recession changed this scenario and many private service providers were established and the number of employees working for profit firms increased from 38000 to 94000 from 2002 to 2010 respectively (Edlund & Seva 2013: 547).

The market oriented approach and privatization had notably affected public welfare preference in course of time. Most of the municipal budgets were being spent for welfare services like education, childcare, and elderly care. These were practically carried out by private organizations. Therefore, public opinion was considered as one of the influential factors to privatize services across municipalities. The changes were mostly welcomed and comparatively adaptive by the young age group since they had a tiny experience of previous state model of welfare services. Later on, the least

privatized sector had to increase the proficiency to compete with the mixed or fully privatized firms in welfare service production field (Edlund & Seva 2013: 560)

Finland, on the other hand, declared themselves as welfare state in early 1970s by a form of modernization that took place mainly during 1950 to 1980. The reason for the delay in achieving welfare state standard is massive economic recession in 1990 when severe unemployment rate was noticed along with poor GDP. However, they managed to continue the sustainable economic growth over the years by balancing social and economic policies (Kautto 2003: 2)

Having several barriers and many political, bureaucratic, and economic problems Europe managed to maintain the concept of welfare state either with the public policies or orienting market in form of privatization where state, to some extent, played a very competitive role beside private firms. Regions like Asia are still struggling to settle down except some emerging countries like China.

2.6. New Public Management

Government is now trying to grasp rapid social, economic, and technological changes in worldwide to cope up with the globalization. After 1980's, several countries have implemented radical and comprehensive public sector reforms. The idea was to reinvent, rationalize, and reform initiatives designed to improve the organizational efficiency and effectiveness of the public service. Collectively, these initiatives represent a substantial shift away from the traditional bureaucratic paradigm toward a post bureaucratic paradigm (Kapacu 2006: 887). New Public Management (NPM) is not a consistent and ready to use concept and there is no NPM that has been used in any country as a single concept (Hood1991: 8). It is not necessarily true that administrative reforms are applied for the same reason or will bring the same outcome in different countries. New public management and new public administration is not the same concept though they have some common features. NPA was a movement to bring academic public administration into line with a radical egalitarian agenda where NPM is

more managerial related changes in efficiency and effectiveness of public service production and function. Which means new public management doctrines tended to be opposed to egalitarian ideas of managing without managers, doctrines of self-government by public-service professionals as doctors and teachers and juridical doctrines of rigidly rule-bound administration (Hood 1991).

New Public Management is the label applied to set of innovative reforms. In the political world which is the infusion of market principles. Most NPM reforms have some common goals: to improve the effectiveness and efficiency of public sector, reduce public expenditure, improve managerial accountability, and enhance the responsiveness of public agencies to their customer and clients.

The core point of NPM:

- It strives for efficiency, equity and effectiveness of public services.
- It utilizes the market economic theories and models for political and administrative relationships.
- NPM focuses on public choice theory, transaction costs, negotiated contracts, and principal agent theory.
- It applies the concept of competition.
- Customer satisfaction is one of the concerning point of NPM, and also performance based contracting, service delivery, market incentives and deregulation.

New public management applies deregulation to increase the efficiency and effectiveness. Thus privatization becomes the mainstream of NPM. It is expanding customer choice by introducing public-private ownership to satisfy public needs and government can no longer monopolize. Public sector managers and decision makers now facing the difficulties about which public services and functions should be kept in public sector and how much should be privatized. One critical issue is to manage the process to obtain the participation in a way that protect public interest and at the same time allowing business to earn a suitable profit on their investment. Therefore, public and private sector managers need better knowledge about the changing role of

government and also need to know their role in public-private partnership. In this reform of NPM, government must be restructured and has to enforce cost-effective regulation by which the collective welfare will be ensured and competition will be applied. On the other hand, public employees and officials must have to be trained in negotiation and interaction, effective regulation and operation of private companies. In a word (Savas 2000).

By the mid 1960's, in the form of public choice theories, economic rather than sociological interpretation of political and bureaucratic behavior had been gathering momentum. This provided a large part of theoretical foundation for public sector reform undertaken by NPM leaders such as Britain and New Zealand. The new form of market orientation, public management was more appealing than the image of unwieldy insufficient Weberian bureaucracy. The predicted public choice theory on this assumption was governmental actors rationally calculate self-service instead of aspiring to public service. The first generation of NPM started in 1980's which was based on general ideology and a set of ideas combined with newer economic and management theory. The core feature of this idea was its prescription of a new public sector based on efficiency, competition, structural devolution, management principles, and increased use of contract. Here the concept NPM was hybrid, a combination of both decentralization and centralization. In this case, NPM behaves as a double edged sword which at the same time prescribes more autonomy and central control. However, these main ideas were implemented to different degrees, at different paces and with differing emphases as the development of NPM reforms on the various implementation of reform package in different countries and sectors. NPM reforms are not usually replaced by new reforms but rather revised. There is no consistent movement or pattern of movement towards NPM. Most government still shares some main element of the traditional system of public administration. However, some common strong trends are emerging towards modernizing public sector in many countries. The most common and important is decreasing the differences between public and private sector. (Christensen & Laegreid 2007: 8-9, 226).

2.7. Public Choice Theory

Public Choice Theory has contributed a lot to economics which has been developed from taxation and public spending. Towards the end of the fifties, public choice theory emerged as a distinct discourse and drawn public attention across the world. In 1986, James Buchanan, noble laureate in economics, and his colleague Gordon Tullock contributed to the public choice research by establishing a Center for Study of Public Choice at George Mason University.

Public Choice theory is a modern concept of New Public Management, which creates an interesting bridge between modern and old public administration. It develops some key conception; first one is: public choice theory emphasis on individual's behavior assuming that while making a decision, individuals are rational, self-interested, and aim to maximize their benefits with least costs. *“people are basically egoistic, self-regarding and instrumental in their behavior”* (Dunleavy 1991: 3) and even there is exception but the economists argue that it explains human behavior better if we assume such. The second focused point of public choice is 'Public good'. Here, the public good refers to the output of public agency which can be distinguished by its nature for not being private but provided to all in general. The third focused point is decision making process which influence the choice. Different situations influence different decisions, which can create different public choice based.

“public agencies are viewed as a means for allocating decision-making capabilities in order to provide public goods and services responsive to the preferences of individuals in different social contexts” (Ostrom & Ostrom 1971: 207).

"the application of economic models and approaches to nonmarket circumstances, especially government and political science, so as to provide structures and incentives to guide human behavior" (Denhardt & Denhardt 2006: 10)

So the main characteristic of public choice theory is combination of politics and economic methods. In *The Political Economy of Public Choice* R. Sugden (1981:ix) states that *"I attempt to integrate two broad themes of economy: Traditional Partial Welfare economics and the theory of Social Choice. Both of these bodies of this theory, I shall suggest to be understood as analysis of the logic of value judgments that may be made about public choice...they analyze the logic of arguments that can be put forward to justify particular public decision, or to justify particular procedure for taking public decisions."* Public choice also emphasizes on politics of exchange, which means that every public policy must be based on the consent of all citizens. This is optimistic and ethical theory for the state but not positive. Politics reveal itself in a different way in the domain of public choice approach; intimidation over corporate interests formed at the expense of consumer interest to the few cases where broad citizen interest rules.

The principles which Public choice uses are similar with that of the economists for analyzing people's actions that are taking place in the marketplace. In addition, public choice theory is applied to people's actions in collective decision making. It is true that Economists are motivated and encouraged by self-interest while studying behavior in the private marketplace. Though there may have been different reasons for most people in their actions, the most important motive is to bring their actions to the marketplace. In this case, it is not a matter of being employers, employees, or consumers. It is true to the public choice economists whose assumptions are all the same in spite of people's acting in the political marketplace tend to be self-interested in their main motive.

It is very necessary to incorporate public choice theory into basic theoretical tradition in public administration. Woodrow Wilson (1887) in his first study of administration drew attention to a new science of administration, which is divided by politics and administration. Wilson has pointed out the differences of governments based on the principles rooted in the constitution but according to him, the principles of administration remain the same in any type of government (Wilson:130–210). Hierarchical order is very important in attaining perfection in administrative organization. Perfection leads to efficiency by ensuring the hierarchical order of professional service. L.D.

White has emphasized on the hierarchical order and said “*all large scale organization follow the same pattern, which in essence consists in the universal application of the superior-subordinate relationship through a number of levels of responsibility reaching from the top to the bottom of the structure.*”(White 1926: 30, 125)

The basic concept of this theory is that the individual is egoistic and rational and maximizes his own benefit (Watt 1991: 294; Mclean 1987: 2) The public choice theory indicates the relationship between the individual and society as one where the individual is a significant maker of choice and decisions in a good society, and where, secondly, good social policy makes it possible for the individual to maximize the benefit. In this theory, goods are classified into four groups according to their share ability and exclusivity. Share ability means the way in which the different goods are used collectively or privately. Exclusivity refers to the identification of the user group where the user groups of the goods can be determined.

Table 2. Groups of goods.

<p>Group 1: Market goods</p> <ul style="list-style-type: none"> • individual services • personal services • commercial products 	<p>Group 2: Partly collective goods</p> <ul style="list-style-type: none"> • basic services of the welfare state • cultural services • infrastructure
<p>Group 3: Natural resources</p> <ul style="list-style-type: none"> • nature • forest • air and water • minerals 	<p>Group 4: Clearly collective goods</p> <ul style="list-style-type: none"> • traditional state functions • defense • law and order • judicial system

Source: (Salminen & Viinamäki : 2001)

Political economists have focused on public investment and public expenditure decisions. They are concerned with the benefit-cost analysis. Their programs are based upon the utilization of men and material. Public choice also focuses on radical implications based on the theory of public administration. According to this perspective, most political economists consider the individual to be the basic unit of analysis. The second thing is to conceptualize the public goods to be the output of public agencies. Public choice theory is also based on the effects of decision making arrangements on which public goods and services are conceptualized. So the analytical variables of public choice theory are public goods, services, and also the decision structures. Therefore, it is quite natural for man to pursue certain opportunities and possibilities in the areas of events within the strategic opportunities.

Individuals are used as an analytical purpose in public choice theory. As the basic unit of analysis, individual behavior becomes central in building a coherent theory. There are four basic assumptions about individual behavior which are discussed as follows: (i) individuals are generally self-interested. Here, self-interest and self-fish are not equivalent. Due to the difference of individual preferences, their decisions also differ. As a result, there appear differences from individual to individual. (ii) Individuals are considered to be rational. Based on these principles, it is possible for individuals to rank all known alternatives. (iii) Individuals use maximizing strategies. It is also consistent choice of those alternatives by which highest benefits would be achieved. (iv) A representative individual has to have some level of information. There are three levels such as certainty, risk, and uncertainty. Here individuals prefer the best strategy by which he can get maximum benefits.

Individuals equipped with self-interest, rationality and maximizing strategies fall in different situations. These situations are covered with production and consumption. According to the political economists, there are many types of situations in public choice theory. At this point, purely public goods play a significant role as a logical category and this term refers to highly divisible services, which are packaged in discreet unit and distributed in the market by abstaining the customers being high price.

Public choice economists observe that the incentive is the most important factor in the private sector. For example, if someone intends to buy a car, he must be well informed about the selection of the car. So it is apparent that the choice of the car buyer is very important and he must pay only for the chosen one. Here the benefit of the buyer depends on his wise choice. Otherwise, the buyer will lose.

Public choice economists play a significant role in examining the activities of legislators. Though legislator's areas of actions are limited to the public interest, they tend to give decisions on the use of other people's resources. In addition, these resources have to be disbursed by taxpayers. On the other hand, as legislators can make arrangements to tax and to extract resources by coercion, their behavior seems to be costly to citizens.

In the theoretical literature of market orientation, most of the ownership theory has a common assumption that individuals behave as the economic man in their social roles such as an entrepreneur, an employee, a taxpayer, a consumer, a politician or civil servant, a public or private sector manager. It is also assumed that politicians, civil servant or public sector managers are predictably lazy, selfish, opportunistic, and greedy and the possibility is, under their supervision organization other than private sector can be inefficient. Some argues that politicians in the countries like Europe or Scandinavia want to be re-elected and therefore they try to expand output or increase employment in state enterprise beyond their commercial optimal level (Niskanen 71, Boycko et al. 1996). Other example explains that unwillingness to make commercially productive decision cause excessive product quality, excessively munificent working condition, easy to operate pricing system in order to avoid conflicts and embarrassing complaints.

2.8. Creation of Hybrid Organization in Market Orientation Concept

The word 'Hybrid' was originally used in biology to describe cross species and later on in social science to characterize cultural mixed compositions in the post-colonial studies (Pollit C.: 1286). The term 'Hybrid' was first introduced to research by Oliver

Williamson in 1991 for a governance model, yet it was not in a broader perspective. Current hybrid is discussed more an indication of post-NPM government discourse. Walter Kicket (2001: 148) has described Hybrid organization as “*hybrid organizations are situated between the public and private spheres. On one hand they are supposed to function like customer oriented and efficient firms. On the other hand, they carry out intrinsically public tasks*”. In other words, we can describe hybrid organization as a result of market orientation process. The emergence of market Orientation results give the shape of hybrid organization. (Viinimäki & Hyyryläinen: 2011)

In the trend of market orientation, the phenomenon of hybrid organization gains drives towards market. Though scholars have used many terms with ambiguous meaning to characterized hybrid but the concept is not new. The origin of this concept can be found both in civil society oriented and market oriented research. In early 1980s all research on non-profit management can be interpreted as integrating market rationale into civil society organizations. In 1990, many books and articles on social enterprise and enterprising non-profits were published. In fact, the award of Nobel Peace Prize to Mohammad Yunus was mainly driven by business schools on social entrepreneurship. (Viinimäki et al. 2011: 12)

On the other hand, profit oriented market research was dominated in 1950s by normative concepts with strong social values. In 1970s, the discussion of business ethics started and 'quasi-public enterprises' was considered for companies which should follow ethical as well as market principles.

"Hybrids have moved from being a minority scholarly interest to center stage in mainstream political discourse" (Billis 2010: 4, Viinimäki et. all: 2011)

Hybrid organization constitute the nonprofit sector. Many nonprofit management scholars agree that nonprofit organizations pursue their mission by perceptively seeking the gaps in public or private service provision. Traditional non-profits are very different that purely public or private. In this niche they assume a social function where the institutional terraria and the influence of organizations are clearly different from each

other. Every organization wants to be marked as unique and refuses to access others. This negative demarcation characterizes a normal relationship between power-conscious individuals and organizations. Evers argues that Hybridity is reached when logics from other sectors have a very significant impact on the traditional sector-based identity of an organization (Evers 2012).

Through market orientation we can mark several sources for hybrid organization. One major is government source; where the hybridization requires partial privatization in its activities and in ownership (Viinimäki et al.: 2011). The liquidity of entirely public or private has been largely over and despite their 'publicness' many public organization act as private. On the other hand, government is also funding and supervising for some non-governmental organization since they are dependent on the government for some extent. Therefore, it is still not very clear how to manage hybrid organization in different structure, what the hybrid organization refers to and what leadership and management style we should apply for this.

It is difficult to define hybrid organization and the pattern of its leadership as market orientation does not have a fixed pattern and it always varies country to country and company to company in different economic situations. Recently Philip Marcel Karre (2011a 2012) provided a multidimensional model that clarifies the idea of hybrid. The dimension is divided by several groups. (Viinimäki et al.: 2011) The first group is structure and activities of hybrid organization and it consists of few dimensions:

- Legal form: determine the regulation whether it is governed by public and private law.
- Ownership: share-ability according to public and private ownership.
- Activities: if the hybrid is working for commercial activities or social benefits.
- Funding: whether the hybrid is running by collected tax or fees.
- Market environment: if the hybrid is working in a competitive or in a monopoly situation.

The second group is Strategy and culture and it has two dimensions:

- Strategic orientation: if the strategy of the hybrid is to private or public interest.
- Value orientation: if the hybrid is following public or private value.

The third group has three dimension and it is called governance and politics:

- Relationship with political principal: if it is dominated by politicians or professional.
- Managerial autonomy: freedom of political or market oriented decision
- Executive autonomy: autonomy to take care of their duties and responsibilities.

The necessity of the concept hybrid growing rapidly due to the emergence of the combined work for public-private sector. The monopoly of public sector has now been decreased and numerous duties are carried out by private service. Many Government functions are undertaken and expanded through contract of profit or no-profit organizations. The total number of transactions by contract increased from 583,900 to 3,278,482 between 2000 and 2009 in US federal government. (Viinimäki & Hyyryläinen: 2011: 22) In the US federal government, the success of hybrid organization depends on the adapting capability with the changing environment of government. A hybrid organization can reach its target if the organization is able to respond to stockholders' need and managements are well adopted to the changing situation and environment. Hybrid organization opens the access to new markets which is beneficial for the economy. For example, when University of Vaasa, Finland was a part of the Finnish government, legislation prohibited it from influencing the education market. Now Finnish universities are no longer part of the government and current legislation allows and encourages universities to look for economic benefits.

A good example of hybrid organization in market orientation is a Finnish infrastructure and construction service company Diesta. Diesta was a governmental agency for 200 years and in 1925, the state established Roads and Waterway Construction Administration. In 1998, the administrative official duties and road maintenance duties were separated from each other and the era of National Board of Public Roads came to

an end in 2001 with the permanent split of production and administration into two separate organizations. The Finnish Road Administration was in charge of public roads and the coordinator of road maintenance and the production department was renamed as Finnish Road Enterprise, which began to compete with other existing contractors in the similar field. In 2005, the Finnish Road enterprise was fully in open competition and in 2008 it was named as 'Diesta' which was redefined as wholly state-owned limited liability company. This reform made it possible to expand the business area in abroad and Diesta has expanded its business in several Baltic countries like Sweden and Norway.

A hybrid organization can work in diverse organizational culture. The main benefit of hybrid organization is that it avoids the structure of purely public or private and takes the middle way in between. This allows flexibility to operate more effectively in a complex situation where purely public or private may have restriction in some context. For better understanding, we can use Max Weber theory of ideal types for the analysis of modernization in the organization and in the society that can be used as similar sense of the 'idealized trajectory' of public and private. The driving force behind developing a public organization to a hybrid organization is some form of market orientation, which has been an essential part of New Public Management doctrine. NPM is a combination of managerialism and the adoption of a diverse management style instead of being a rigid public management style and also contracting the adoption of 'Institutional Economics' concept that is Principal-Agent Theory, Transaction-Cost Economics and Public Choice (Pollitt,1990; Nelissen, Godfroij and de Goede, 1999).

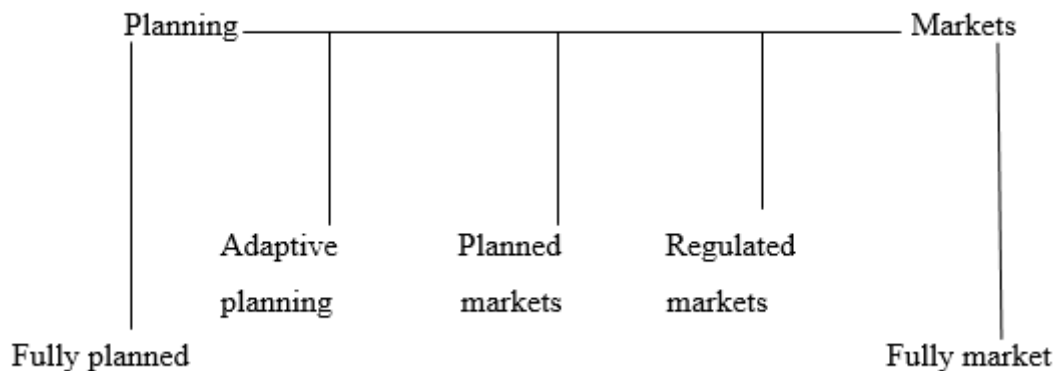
Walter Kickert (2001) has mentioned that, being a mixture of public and private organizations, the hybrid organization adopts benefits and challenges from both sectors. (Viinimäki et al: 2011: 47) The concept was criticized by researches for that it has been deliberately selective in order to give an idea of opportunities while the part of tension and destructive effects that accompany the 'invasion' of new and additional changes are ignored.

2.9. Market Orientation and Public Ownership in Finland

Considering the customer's need, many countries and organizations have been trying to deliver better service as well as goods. Because customer expectation changes over time. So, offering them something is not sufficient nowadays. From that point of view, market orientation has got a new shape in terms of market intelligence, dissemination of the intelligence across departments and organization wide responsiveness (Kohli and Jaworski 1990). Market orientation always seeks to improve business excellence. Too many hypotheses have been examined to evaluate the reality and possibilities of market orientation in a business environment including business profitability and customer satisfaction. One hypothesis can be addressed here, that is 'If the market orientation is extended in an organization, its business performance is higher.'

Though market orientation is a marketing term and mostly related to the business, the scenario is now changing over across countries. Market orientation is not only a term of making profit but also ensuring best customer centric service with utmost importance. Most public sectors intend to take market orientation as a challenge for three different characteristics to bring organizational effectiveness (1) customer focus, (2) coordinated marketing and (3) profitability (Kotler 1988). It was commonly observed that public sector in many countries were not too efficient to ensure the best customer service and they were not capable of meeting their demands either. Systematic plan helps to implement the changes for organization. Adaptive planning typically used to decentralize the planning process to a lower level management hierarchy.

Table 3. Public-private organizational continuum.



Source: Planned Market and Public Competition (Saltman & Otter 1992:16)

In 1918, after Finnish independence, first manufacturing public enterprise had ensured domestic ownership in the forest and metal industries. Electricity and fertilizers generating company were created for the same reason. Soon enterprises were emerged to organize as companies to ensure access to capital markets. Companies like Valmet (made aero planes, ships and tractors now known as a world leading company of paper and board machines), Typpi (part of Kimera, produces fertilisers) and Neste (refines and distributes oil products) were established partly because of the payment of Soviet Union and the need for reconstruction. In 1970s Finnish government focuses more on joint ventures with Swedish partners like car plant Saab-Valmet rather than on pure state ownership. Privatization emerged in the agenda in 1980s when the Social Democrats were still dominant in government, which resulted in the Ministry of Trade and Industry (MTI) blueprint (Visio Yksityistämistä Suomessa 1990 luvulla (1991). According to MTI, each company should be treated individually and some will remain in public ownership. The government is initiating a movement to reduce ownership to 50% in Kemira and Netse and to Less than 50% in Rautaruukki. (Erik & Nancy: 2006)

It says that public ownership will remain relatively important in Finland though the government is entitled to reduce state share. In Finland, competition is not the only

reason of privatization because the 1991 blueprint recommends it as a way of mergers. It proceeds from sales and warns against public sector dominance from industry. The blueprint also admits that although efficiency is an objective, state-owned companies are fairly efficient in Finland. After recovering the financial crisis and achieving the economic development mission, now the authorities emphasize the changed business conditions in particular economic integration, new risk capital and international competition. (Kääriäinen 1994, Erik & Nancy 2006)

Table 4. Privatization and remaining public ownership in Finland.

Company	1990	1996	2003	Minimum ownership
Alko-Yhtiöt (alc. beverages, prod. and trade)	100%	100%		
Alko Inc (retail trade)			100%	
Altia Group Oy (prod. and wholesale trade)			100%	50.1%
Fortum Corporation (energy production, oil refining)			60.8%	50.1%
Neste Oy (oil refining)	98%	83.6%		
Ivo Group (energy production)	95.6%	95.6%		
Kemijoki Oy (energy production)	77.3%	78.2%	67.0%	51.0%
Kemira Oy (chemicals)c	100%	72.3%	56.2%	15.0%
Kone Oyj (lifts and escalators)			4.7%	0.0%
Partek Corporation (engineering industry)		30.2%		

Oy Sisu Ab (vehicles, defence equipment, components)	97.7%			
Metso Corporation (metal engineering)			11.5%	0.0%
Valmet Oy (metal engineering)	79.8%	20.3%		
Outokumpu Oyj (metals and technology)d	57.5%	40.0%	39.6%	10.0%
Patria Industries Oyj (defence materials and technology)			73.2%	50.1%
Rautaruukki Corporation (mining and metals)	86.8%	68.9%	40.1%	20.0%
Sampo plc (banking and insurance)			40.4%	0.0%
Postipankki Oy (subsequently Leonia Oy; banking)	100%	100%		
Stora Enso Oyj (forest industry)			11.2%	0.0%
Enso Oy		35.2%		
Enso-Gutzeit Oy	50.3%			
Veitsiluoto Oy	88.8%			
Vapo Oy (peat, timber, biotechnology)	100%	100%	66.7%	50.1%

Sources: State Owned and Associated Companies, annual reports for 1990, 1995, 2001 and 2002; Ministry of Trade and Industry press releases (2.8.1996 and 18.9.1996); Valtionyhtiöt ja osakkuusyhtiöt (2002)and (2003). b) The subsidiary Arctia (hotels and restaurants) now belongs to the Scandic chain. c) A failed privatization attempt was made in 2002. d) The Finnish Social Insurance Institution owns 12.3% of the shares,so the majority of the shares are still directly or indirectly in public ownership. e) Enso was still indirectly in public ownership 1996 through The Finnish Social Insurance Institution until being

merged with Stora Ab in Sweden in 1998, John Willner (2003); Privatization and Public Ownership in Finland'. (Willner 2003:6)

The above table shows the extent of privatization of companies owned by state and remaining public ownership from 1990 to 2003. The main motives for public ownership in the Nordic countries are structural. The important reasons for privatization in Scandinavia was that state ownership wants to increase economic development and also successful companies are the source of government revenue.

The purpose of any welfare state is to restrict the effects of the markets on public services and welfare structures. The Finnish welfare system can be referred to as a social welfare state rather than a competitive state. The creation and development of welfare state is affected by historical, social and economic factors as well as the influence of different interest groups and international politics. In general, welfare state doesn't have any fixed ideology. Finland has a so-called Nordic welfare model, a typical feature of which the public sector has extensively adopted tasks that have traditionally belonged to the private sector. Finnish company can be divided into two groups on privatization process: Incorporated organization by the state enterprise model and state owned company as incorporation.

Stages of market orientation process in Finland:

- a) Public agency
- b) State enterprise
- c) Public company with 100% or majority of shares on government ownership
- d) Fully privatized company

The term market orientation has been introduced in Finland during 1980's and it was speeded up in 1990's as the reason of globalization, reducing the monopolies, forming the regulations, opening the economy, and capital markets and more over the economic recession. As a welfare state Finland also had a strong bureaucratic model from 1960's which continued until 1980's. Then the old fashioned bureaucratic system has been

changed by the influence of modern marketing concept and entered in the world of New Public Management.

“A state enterprise is more autonomous but subject to some authorities, financially integrated and operated by government department such as school, universities, postal services or railways.” Erik and Nancy: 2006)

The state enterprise act (627/1987) was the first step of reform public service production system in Finland. The main purpose of reform introduced for the effort to combine managerial autonomy and political guidance. The speed of incorporation illustrated after 1997 when the result of reform shows the employee of State enterprises reduced to 5 thousand from 67 thousand in 1990. More personnel were employed by private companies. Finland does not have any real privatization program but by reforming process of the market orientation has been started step by step and it's expanding by the need of the state. In recent years the flow is going higher, for example; the weapon and energy industries are also in privatization process. In Finland the main needs for privatization have been economic factors such as need of capital and reducing public expenses. (Salminen & Viinamäki: 2001)

In the book of Ari Salminen and Olli Pekka, Viinimäki after observing 4 organizational reforms in Finland, the reasons we get for market orientation here are:

- i. For customer orientation, new competition arrangements and alleviating regulation.
- ii. For increasing organizational effectiveness and decreasing the production cost and increasing the cost efficiency. On process of incorporation, the organization gets more operational freedom to decide about systematic strategy that may increases the effectiveness.
- iii. For demolishing monopoly from market and creating competition. For example, the vehicle inspection operation in Finland. Before 1994 was state monopoly, which has entered market competition as a

result of creating private inspection company besides state-owned Finnish Motor Vehicle Inspection Ltd.

- iv. For reducing the range of service by decentralizing methods. The incorporation separates the authority function and business operations from each other.
- v. For ensuring the welfare service by dividing the function and service production.

In Finland, it is randomly practiced to organize the actions of authority in incorporation process by establishing a new public agency or by transferring the actions to other public agencies. Market orientation in Finland is a phenomenon of 1990's. To keep up the international market competition, the process had started with State Enterprise Act by reforming of the production system of public service and the structure of central state administration. After 1980's the responsibility of municipality expanded and the volume of service increased. As a result, the political consensus in market orientation forced to take the Finnish municipal sector under reform, which increased municipal independence. After this reform, municipalities got the power to arrange their own production and service system by the membership of other municipalities or by connecting with joint municipal authorities who is involved with the activity or producer in a private service. Unlike the state organization, the municipality had some lack of enterprising model and the 1993 amendment of the Local Government Act defined the operating model of a municipal enterprise (Salminen et al. 2001: 38). The privatization in municipalities expanded mostly for the reason of increasing productivity, cost efficiency, effectiveness, and reducing the economic recession and soon it extended to the core.

In Finland the form of state enterprise is developing somewhere in between non-budgeted agencies and state-owned companies and the enterprise needs to keep balance between the implementation of socio-political goals and commercial operating principles. Enterprise also involves operating environmental changes. The aim of the creation of the state enterprise HAUS was to ensure better possibilities to adapt the qualitative and quantitative changes in demand, to develop the training and services, and

to guarantee training service important for state administration. To make the reform successful the change process has to be consistent and controlled and properly implemented.

In 1999 the State enterprise of the Real Property Agency was created based on market mainly because of the competitive factors. When elaborating State Enterprises, it is very important to discuss competition. From this perspective, the state agency form was problematic because it is bound to the budget of the state economy. The proper example of being bound of state budget problem is National Board of Civil Aviation, the predecessor of the Civil Aviation Administration. The rapid changes of air traffic caused the need to speed up investments, develop airports and increase personnel in all the sector of aviation administration. The poor state of public agency failed to provide that huge fund and the agency could not raise funding in capital markets. But State enterprise still can work in restricted competition conditions. The Forest and Park service and the Civil Aviation Administration is the perfect example where the activities of the organization were not often guided by competition.

Customer orientation is another major issue for creation of State Enterprise. Some important issues like change in the structure, expanding the clientele and control of the changing process are critical. Although the state enterprise provides the possibility to expand the clientele, it is not obvious. For some cases, if the traditional customer of the organization moves to some other extent, then the state enterprise replaces it with new customer group.

Customer orientation and service image are two major factors of incorporation which were noticeably changed for The Vehicle Registration Center during the state enterprise model. At the beginning their customer satisfaction and service image were extremely poor but they developed it very consciously and soon they became one of the best organization in Finland on the basis of customer satisfaction. (Salminen & Viinamäki: 2001)

3. METHODOLOGY

Research methodology plays a significant role in finding out the problem for which research is being done. It is considered scientific because the tools and techniques which are used in science are also used in conducting research such as defining problems, formulating hypothesis and suggesting solutions, collecting and analyzing data and reaching conclusion. Kothari defines it as an art of scientific investigation. For the present study; there are some steps which were followed to analyze the research findings. However, it is very important for the researcher to develop the research methodology by considering the problems. (Kothari 2004: 1–5)

Typically, all research methods are presented in two dichotomies:

- Qualitative
- Quantitative

Quantitative research is based on objectivity and qualitative is based on subjectivity. Scientific method allows us to gain knowledge and we cannot assume any single epistemology. One can determine a qualitative or quantitative or a continuum of both methodology is most effective for the research.

“Qualitative research is multi method in focus, involving an interpretive, naturalistic approach to its subject matter. This means that qualitative researchers study things in their natural settings, attempting to make sense of, or interpret, phenomena in terms of the meanings people bring to them.” (Jha N.K 2008: 45)

Qualitative Research is done for collecting data by observing the activities of the respondents. It relates a variety of empirical materials like interview, personal experiences, situation, events, case study, attitudes, believes and thoughts, life story, interaction, historical and visual documentation.

Quantitative research begins with theory. It often referred as 'hypothesis testing research'. The sample size is measured by statisticians who are using formulas to calculate what sample size would be enough to achieve findings with much accuracy. (Jha N.K 2008: 42–50)

Usually, a qualitative research requires a narrative exploration of research findings. The purpose of this thesis is to explore the organizational behavior in certain period of time and also reasons and impacts. Considering these, qualitative research methodology has been used for this paper. Qualitative research questions mostly start with how/what so that the researcher can get deep understanding related to the topic.

3.1. Methods of Data Collection

The data collection process starts once the research problem has been identified and plan is designed. Two types of data collection methods are in use: primary data and secondary data. Primary data are those data that are collected for the first time and original in character. Secondary data are those that have already been used and gone through statistical process. (Kothari C.R 2004: 95)

3.1.1. Primary Data

There are several ways to collect primary data such as observation method, survey, interview method, through schedules other methods including warranty cards, distributor audits, content analysis and so on. The primary data has been used for this research are as below:

Interview method: Three kind of interview methods have been used for the data collection process.

A) Personnel interviews:

Personnel interview requires face to face interview conducted by an interviewer with an interviewee. At this paper two kinds of interview were conducted; direct interview and interview via mobile phone. Four personnel from group management in Finavia Corporation were interviewed directly at their work premises and three more were interviewed via mobile telephone. To ensure the accuracy and reliability of the information, the interviews were recorded, summarized in word file and was send to the participant for review.

Advantages for interview methods that was noticed are:

- Interviewing senior vice presidents of group management allows to solicit the knowledge and ideas of the key person related to the company. They are like the key observers whose insights and knowledge can be helpful in understanding of the events, reasons and after impact.
- More and deep information can be gathered. The interviewer can ask further relevant questions if he finds the interviewee is knowledge related to the topic and eager to answer.
- If there is any resistance, the interviewer can use his own skill to overcome it and can be tactful to choose the question pattern.
- This kind of interview is always flexible since the question can be always re-structured according to the situation.
- The interviewer can observe the most spontaneous reaction even the interviewee refuse to comment about a particular side. (Kothari C.R 2004: 99)
- Interview via telephone is economical and saves time to travel.

B) Written interview via Questionnaire

For both kind of interview method, the information about the idea of the research work was clearly stated and adequate information was provided to the interviewee. They were free to ask any relevant questions or comments. Open ended questions were provided to answer the participant so that they can response freely. Personnel from three teams; Finnair group operations, facility management and general

management were involved in the discussion. Personnel studied the questions, discussed their opinion, reviewed and summarized the answers.

C) Content analysis

Analyzing the content of documentary material such as books, magazines, newspaper, articles are usually known as content analysis. In this paper,

3.1.2. Secondary data

Secondary data are those kind of data are already available, has been collected and analyzed by someone. Secondary data can be published or unpublished such as various publications from local, central or state government, reports and publications from the relevant industry, periodicals, public records and statistics and so on (Kothari C.R 2004:111). The source of secondary data has been used for this paper are ACI Report 2016 published by Airport Council International, released on 8th March 2016 at the 8th ACI Airport Economics and Finance Conference and Exhibition in London. The other sources are different bulletins and news letters from both Finavia and Finnair 'Newsroom', Finavia 2015 annual reports, Finavia Personnel chart, Finland's Air Transport Strategy 2015–2030 published by Ministry of Transport and Communications.

3.2. Case Study

Kothari describes case study method as an important method of qualitative analysis that involves a careful and complete observation of a social or organizational unit, an institution, family, cultural group or community. It is a method that concentrates on depth than on breadth. Based on constructive paradigm, this study used case study approach to explain the personnel experiences, thoughts, perception with understanding. The phenomena under investigation for this study was organizational behavior in the context of market orientation, changes, exploration of reasons, challenges and benefits and customer relationships. For case study of this paper, two organizations were chosen; Finnish owned airport service provider 'Finavia' and the other is airline company

‘Finnair’. Data was collected through in deep interviews with personnel from both organizations, additionally reports and documents were reviewed carefully.

For case study 1, audio records were stored of the interview, documented in word file and analyzed carefully considering the interview questions and compared to each-others opinion. Documentation and reports published by the company were also collected and analyzed to validate the findings.

For case study 2. Written answers provided by the company was carefully studied, important information was noted and arguments were analyzed. All information provided by the personnel were summarized and pointed in the finding according to the importance. Related newsletters published by the company in their web pages were collected and revised for data analysis purpose.

4. RESEARCH FINDINGS

The purpose of this study was to find out the reason of market orientation, its impact within the company, benefits and challenges and also the customer relation after being market oriented. Findings that were aimed to achieve was: i) Reasons and back ground of market orientation in Finnish Public Sector. ii) Organizational and structural changes that have been made in Finavia and the present administrative structure. iii) to what extent incorporation of Finavia has affected its relationship with Finnair iv) benefits and shortcoming of hybrid organization.

In the interview, participants have shared their thoughts, knowledge, experience ideas and perceptions that will help us to build up the observation and determine with the findings. The discussion is divided into four sections. In the first two segments different interviews and opinions have been discussed. ACI report has been analyzed in the third segment for the better understanding of the ownership system in Air aviation and the last segment contains different publications and reports analysis to understand the customer perspective.

4.1. Case Study 1: Finavia

Seven participants from Finavia Group were interviewed. The details of the interview questions and participants' information will be found in the appendix 1 and 2.

Three themes were considered during the interview:

- What are participants' experiences about organizational behavior before and after incorporation
- Which benefits and challenges experienced due to incorporation?
- How the participants find the present customer relationship and collaboration with Finnair?

4.1.1. Organizational Behavior Before and After Incorporation

The answers will help us to find out the reasons of incorporation in Finavia, organizational and structural changes and present management style of Finavia. The opinions of the participants have been summarized in the discussion below.

Mr. Nissilä has been working in Finavia since 18 years. According to Mr. Nissilä, most of the changes were related to managing method and managing organization beginning from the top management since they had different CEO's and board of directors as well as management structure. He does not agree that the decision making power has decentralized but management structure is acting as limited company. Management model has been changed since 2005 and shaped as business model.

About decision making power his opinion is, decision making is different for one public shareholder compare to those who have multiple shareholders. Because one share holder might have only one point of view for business strategies and it is more complicated because the view is not one individuals view but the mix of the views of Finnish people. Also when we are talking about owners' view, there are some political aspects; though a major part of decisions are purely business decisions but some big strategic issues are more or less political issues when the government changes. For example, how many airports are needed in Finland is one of the biggest political issue at the moment. Another example is, when intending to extend business with Asia or some other regions in abroad, then it becomes a political issue since the decision maker is the owner. The legal changes of incorporation have been made during 2010 and there were not many changes in organizational structure and management due to the incorporation. There was no one-night change, the major organizational changes were already held between 2005– 2010. In 2010, they already had business oriented board of directors and CEO. The legal procedure was decided by a set of legislation by the government for incorporation. There were some political discussion going on during the time but the changes were smooth.

He states that lots of training programs needed to arrange after incorporation for example; customer service, marketing training, strategic thinking and so on. The reason of decreasing employee size Mr. Nissila's opinion is now they have the right people at the right position that ensured the efficiency.

Mr. Saariaho has been working in Finavia since August 2011. According to him; when he started working in Finavia it was an old fashioned organization which was operated by Finnish govt., organizational culture was also old fashioned, almost all the decisions were made by the head of the organization. In a word, the decision making power is now decentralized than before as a result of structural and organizational changes. He saw huge changes in culture as well. He noticed the productivity has been increased so as the customer satisfaction.

He thinks that some changes in legislation of EU level influenced to make the decision of incorporation. Many years ago Finavia used to get subsidy from Finnish government. But it is not possible now because of EU's legislation. Instead, Finavia is creating own business opportunity.

Mr. Saariaho did not agree that the one shareholder indicates monopoly since the competition perspective is very different in Airline aviation as they have the same market competitors as others in both international and regional markets. He agrees that the owner obviously influences the decision making within the company but decision making policy doesn't change with the government changes over time. Because they stick to the proper cooperate governance model and it means that company has a strategy that is approved by the board of Finavia. One of the board members does represent the Finnish government which means the board always takes business oriented decision. But of course they need to follow the framework which is set by Finnish government. Even some tiny airport that doesn't have much air traffic, Finavia provides services in spite of having loss. But on the other hand, if one airport in regional area is losing its flight connection, they can shut it down. Because big airport is good business but a tiny airport is not that profitable. For example, Copenhagen one of their competitor that is a public company and their market value is really high (4 billion)

since they do not need to subsidize any branches. Finavia is providing dividend to the shareholder by the same time they are giving subsidy to the regional airports as well.

When he started in 2011, their previous CEO has left the company and in the beginning of 2012 their current CEO started to restructure the organization. Quite many decisions made by him influenced the employees to take more responsibilities. The company is now in a balanced position that is why the company is making remarkable progress and the organizational structure is also changing. They had a pretty complicated organizational structure before that they have made much simpler and clearer and less hierarchy. In 6 years they have 3 business units, 4–5 service functions including communication, stakeholder and risk management but all the business responsibilities are within the business units that determine who is responsible for what.

They have been able to increase their reputation within the Finnish society and also among airlines customers. As Finavia is a state-owned company but it doesn't mean that they could act in the market differently than their competitors in Europe because competition within the branch is tight and they have been able to come to the front especially from the specific transport traffic between Asia and Europe. Within this segment, the competition is really tight and many other airport companies would like to steal their airline customer and passenger. So they do not have possibilities to act differently than their rivals' competitors. Finavia is one of the most effective airport operators in Europe and it means that they are able to offer cheap prices to airline customers and cheapest hub for airports. It is really competitive since the airline companies expect to have excellent qualities, effective, fast, reliable, safe and smooth processes- Finavia has to ensure these qualities so that the airlines passengers get a nice service experience throughout the airports. He thinks that they are succeeding to meet customer expectations. That is why they are able to grow the air traffic in Helsinki airport and also in other destinations in Finland.

Mr. Saariaho has also explained that business-to-business marketing is really important and it needs international marketing but the decision makers crowd is not very big since airline companies have some contact points. For example, at the moment they have 50

contacts in Helsinki airport and they have 20 airline companies which they continuously knocking to get the face time so that they can be able to convince them to start operations in Helsinki with Finavia. In recent years, they have been improving their analysis which were not available even 5–10 years ago. At the moment they are able to provide good quality analysis to the airline companies. They can recognize demanding routes and provide the information to the airline companies to extend a new route. These are helping them to attract new customers. For example, Qatar Airways started to operate in Helsinki in October last year. So, B to B marketing is nothing but face time and analysis but B to C is more difficult. When the airline passengers buying their ticket, they consider reputation and safety for their transaction airport. Considering these issues, Finavia is now improving the quality inside the terminal through different marketing activity sometimes with Finnair and sometimes with other airline companies.

Mr. Sundelin has been working in Finavia form 4.5 years. Finavia was already acting as a PLC by that time. According to Mr. Sundelin, the major things happened after the incorporation is the profitability and increased investment and it also has a big impact on finance to run the company. There was also more focus on customer and marketing. Finavia follows the stock market rule, code of conduct and they have an independent board for the administration. They try to develop their actions and various functions into the directions of private companies.

Though the government is 100% shareholder, but they still can act as private company. Mr. Sundelin argues that the direction of the operation comes from the board of the director and not influenced by govt. but he agrees that there is always a chance to influence the business policy when the government changes over time. Political influence happens something throughout the organization more than private company.

About competition Mr. Sundelin's opinion is competition already exists in Helsinki and airlines companies across in the world. They have both B to B and B to C marketing strategies. They have more focus on B to B marketing but do not want to disclose the details.

He didn't notice many changes due to incorporation but change is constant. Constantly they are trying to increase the profit, the sales and marketing side, revenue side, internal service development. So quite basically doing lot of changes which is gradual that is related to strategic target. At the same time, they are stream lining their supportive functions and also the operational model so that it can be cost effective. It obviously reflects their productivity after the incorporation and they have achieved good results.

Mr. Sundelin says that they get public feedback directly through the press, stakeholders and politicians. In this respect they have certain pressure than the private companies but they treat it naturally as it comes. They try to be transparent first of all and secondly, communicative why they are doing something. But still there are always some conflict about the interest so naturally they get feedback like that. He noticed lot of debate and much legal process during the incorporation but since then it's stable.

Mr. Sundelin denied to comment in details about the reason behind incorporation but he assumed that the process is natural as most of the government organizations are following profitability and the trend of re-structure will continue.

Ms. Soikkanen has started to work in Finavia in 1998 under Human resource. There have been quite a few changes she noticed in aviation administration. In the beginning, they couldn't manage to decide many things by themselves since Finavia was under ministry and all the instructions, regulations were coming from the ministry. Then the airport turned to public enterprise. During early 90'S the airport managers used to run the company with a certain budget money and employee perspective was ignored. The tasks were not properly defined for all employees who were working in airport terminal and was specified according to the labor agreement. For example, one person was assigned for a certain task in a day though he might able to perform multi-task. So the efficiency was not fully used and time management was ignored. One people were appointed for one task and as a result more worker was needed. Ms. Soikkanen pointed this as 'exaggeration'. There was efficiency issue associated with many people like airport managers. But the situation has been changed after Finavia became 'Public enterprise'. Airport managers were thought to take the airport as a business and multi-

tasking was considered. But the organization was not very efficient since the CEO had 25 airport managers under him and 35 group support functions (HR, engineers, planners) were centralized who were directly reporting to him. On the other hand, it was some extend over decentralized since small regional area airport had their own HR department and financial management. At the end of the public enterprise, these were party centralized; the employee was divided according to the airport whether it is tourist or business airport and passenger types. Ms. Soikkanen says that the changes might be also as a normal process of development and not only being public enterprise. After becoming a limited company in 2010, they have new CEO and there has been a lot of restructuring occurred.

Regarding market Ms. Soikkanen's opinion is, Finavia is trying to make a hub to Asia. So their competition is in Copenhagen, Istanbul, Arlanda and Frankfurt. During the last 3–4 years of public enterprise, Finavia had already marketing team and business idea as now. After becoming limited company, they have new chairman of the board who thought aggressive marketing is not required for Finavia. Anyhow the marketing point of view has now been changed and new strategy is considered to attract the international customers. So it is not because of public enterprise or limited company, it depends on the view of the owner because they are politically steered by the state (The ministry of transportation). It also depends on the winner of the election. How they handle the people's expectation. So their strategy can be changed anytime when the government changes after 4 years. So there is always up and down in a public limited company where government is the owner. For example: the present government put importance on more decentralization in the airport and more regional airports than business profit.

She describes several organizational changes during the incorporation. They recruited new directors who had more experience on business development. They started recruiting people with private experiences and did put right people at the right place. Also business reviews and reporting started to be more important in business areas, target settings, bonus issues took place in the reform. During 2010-12 they had negotiation with the trade unions because of their redundancies plan. They had to reorganize the organization and some downsizes were required to bring business

effectiveness and ensure customer satisfaction. Finavia has sub-contracting for some services since they are now more focusing on their core business. Flexibility and more rewarding policy have started both for the personnel and to the business such as bonus, long term employee fund, profit sharing scheme which works as motivation factor. Key performance indicators are using in business and management by using more reporting and more analyzing. Marketing policy and financial decision are now taken by more analytical way reviewing reports. The civil aviation and administration is also a big change.

Ms. Soikkanen founds the changes affected in many sectors in different times. The big changes happened in some unprofitable regional airport that were given subsidized by Finavia and it was difficult to manage and allocate the budget. So they run many optimization projects through less people. For example, who was engaged to only maintenance, they are now also repositioned to customer service and safety control. Multitasking has introduced due to these changes. Now Finavia tries to recruit some manpower that has multitasking capability who can train themselves as well. They were expected to cope with several courses of actions. As a result, after retirement of an employee, they not necessarily needed to hire new people. There were several training program. 3 years ago, all the employees of Finavia were trained new ways of taking care of customers so that everyone can understand that they are customer oriented company.

The reason behind privatization Ms. Soikkanen's opinion is the demand of customer was big issue. Competitive market is tough for Finavia's customers. It means that they are not ready to pay much rather expect more efficiency and also concern about the pricing. During the civil aviation administration, the prices was higher. Since Finavia needs to pay EBIT to government as dividend, they always try to make profit out of their business. So it has always been a challenge for Finavia to keep the prices low but make the service level up to the mark. If the prices go up, the airline companies will not run their flights in Helsinki airports, so Finavia will lose money. Considering these issues, Finavia always need to be cost efficient.

Mr. Järvela has been working in Finavia for last 10 years. He worked under some department but mainly he took care of airline customers' relation in the aviation sector. He was responsible for airline account management, the aviation business sales and existing airline as well as new customer sales. Mainly he was assigned for B2B. A lot of changes he has noticed during his ten years in Finavia. Basically the company moved on to more business driven direction. 5 years back, their new management team was introduced. He argued that the changes were not only because of incorporation but the changes were actually begun before the incorporation. The biggest change is in the management style, professionalism and clear target settings. The company is driven through specific target and set the management accordingly to achieve that. It was at least some part of the organization that was fulfilling their target. That basically enhanced more target driven management.

He doesn't see any difference that private companies are acting differently. They have new customers and targeted customers list at the marketing plan and there have been some resources allocated since last 10 years. The marketing plan, customer service was always being there before incorporation. According to him the reason of the restructuring is the general corporate culture changed to be more business driven target setting. As a result, overall corporate culture changed and new management rose up for the target setting like revenue wise and new customer setting. In above that it was more of new management focus. He did not agree that the incorporation brought any direct changes in the organization but the management style has changed during the time of incorporation.

He agreed that they are known as monopoly but the definition of monopoly is different here. They are competing airport business in Finland. For example, Helsinki airport is a monopoly business within Finland but in international business they have competition since one third of their passengers are also transferring their flights to some other destinations like Frankfurt or Copenhagen. There is always a heavy competition every day.

He did not agree that the decision making is influenced by the government since they are state owned but still the management is running Finavia as a business company. Being an airport company Finavia has to run all regional airports as well. This process was always same even before or after incorporation. The major guidance is set to run the company which means there is less influence to operate the company by state.

Ms. Juhola has been working in Finavia since 9 years and currently looking after airline operation. During her tenure in Finavia, she noticed many changes like CEO and structural changes. According to her, the changes that were observed; was basically ongoing process. About the changes after incorporation she states that, they were matrix organization and now they are line organization. So the management style, decision making has been changes. The influence was mostly in administration and in corporate governance but not in the everyday operation or in the financial output at all. Of course Finavia is charging landing and passengers charges for the airlines that operate airline business in Helsinki airport. Finavia works independently unless the customer is happy and they influence government to change the charges.

She says Finavia is doing monopoly business where they have no internal (domestic) competition. But the main airports in every country especially in Europe are their competitor. The most growing product is transfer traffic, so all the airport throughout the globe is their competitor. She did not agree that being one share holder influence in the decision making and administration but the monopoly business affects the pricing and services for the customer as they don't have choice and Finavia has to maintain a standard price for landing charges, passenger charges so that it is balanced for every customer.

She thinks that the changes mostly influenced in administration or corporate governance but it didn't affect daily operation at all. They were matrix organization before incorporation and now they are line organization. The organization is structured. They have different types of organizational structure like decision making inside the company or in charge of certain things. Since there were no changes happened in daily operation, so she doesn't think their customer was very concerned about the incorporation.

She is not aware of the reason of incorporation since every time the CEO changes there are some changes in the organizational structure. But she did not see any real need. She argues that no training program was conducted after the incorporation and she didn't notice any special training either. Difference in management style she states that, it was totally a different culture as Finavia has a long history being government bodies and they are now more and more becoming business organization. So the organizational culture has been changed. Finavia is more market oriented than before in spite of lot of changes. Drive and mentality has been changed and can do attitude has established. Management is trying to find change everywhere. So recruiting new employees is a burden for the company. Instead the company is trying to adjust the manpower through internal movement so save money. She agreed that they might get some political influence when the government changes over time.

Mr. Haapasaari has been working in Finavia since 2012 so he was not involved in incorporation process. When he joined in 2012, the biggest changes had already been executed. Since then he noticed multiple changes like way of working or way of thinking. This is not some public functions or bureau but instead it's a company which means it need to make profit and value for the owner. It is now more profit oriented and in every sector more strategic market thinking.

Since Finavia is a limited company so they have a normal decision making process which is measured by board of directors. It is not total monopoly because there is couple of other commercial airport which is not part of Finavia's network in Finland; for example, small airport in Seinäjoki, Mikkeli and Lappeenranta. From that point of view, Finavia is not doing monopoly.

He agrees that there might be some political influence since Finavia is under transport ministry who is responsible to look after Finavia on behalf of government. So they have some strategic thinking that might influence their internal decision making. If they want to expand their airport business outside Finland, they need to get the approval form their owner. After the incorporation the biggest changes were noticed in peoples' attitude.

They were used to serve Finavia as a public servant and after incorporation the thinking was to serve a company which is a big difference. They are now more focusing on their target. Everyone working in the company now really understands the competition situation with other airports and they need to succeed in it. So all of them realized that they need to perform to remain stable in the market. They are doing monopoly business in Finland but practically that's not the reality and the competition is very tough.

He did not want to comment about the change of management style since he was not in Finavia during the change. They are striving to have cost efficiency in Finavia. When someone is retiring, Finavia is trying to fill the position internally or instead of hiring new people they try to make things differently. So the recruitment is strict. They are trying to manage more works with less people and trying to find the most efficient way to do things. Finavia prefers to make the selection of employees with mix experience.

4.1.2. Benefits and Challenges Observed

About the compatibility question, Mr. Nissilä says that the changes were partly as it is a business driven organization then authority based model, on the other hand it depends upon the right people at the right position that reflects on organizational structure. So the result reflects on two areas, the company became more business oriented and the reform required to hire new people and changes within the employees. On his point of view, there were no negative influences or challenges in the company due to the reform process and the changes were fully positive. On the development point of view Mr. Nissilä has stated that there have been a good number of talented new people recruited, they are nowadays having a very good efficiency to handle digital business model, marketing, technical experts and so on.

There is a steady growth in airlines industry since long so Mr. Nissilä did not agree that being incorporated has direct results on business growth. The result is that they have a new kind of strategic business target that has been decided from board of directors and they are active in marketing, the airline passengers, and commercial activities in Helsinki airport as it is the main commercial airport. He agrees that Finavia has been

financially benefited after the incorporation. Banks and other financial companies are treating Finavia differently as a business organization than public enterprise. Their reporting model is like listing company reporting model. Both financing companies are more interested because they can get all that information of Finavia what they need.

He explains that there are different types of markets e.i. airline company, consumer, passenger and terminal shops and basically Finavia acts like market player in both B to B and B to C market. Airline company market is more international and now it acts like global as Finavia are competing between different European airports like Copenhagen, Stockholm, Oslo and Frankfurt where they have to attract more airline companies. They are trying to attract Asian airline companies to come to Helsinki airport to promote their business throughout Asia to Europe and also Arabian countries and North America. Explaining marketing strategies Mr. Nissila has stated that they have quite big marketing team in Finavia and they take different type of international shows for the airlines companies especially when any aircraft land Helsinki, we have very efficient team to promote us.

After they made the restructure in 2012, Mr. Saariaho finds that they had started to get the result in 2014 which was smaller. Results like Productivity, customer satisfaction are much longer process to achieve. When they were conducting those changes, they defined the key performance indicator at the group level, business unit level, service unit level, the airport level even at the team level. By these measures they were intending to find whether the changes were right or wrong. There were many positive things happened because of incorporation. Their stakeholders are seeing them in a positive way nowadays. Their business activity became more productive than before. When he started, the cash flow was 50 million euro where it was 100-million-euro last year even though they haven't been able to grow their revenue turnover that much which means they are much more productive than 2011. In 2012, there was difficult discussion with the employees as any other companies which was conducting changes, but they did manage to stabilize soon. It is really important that the company is communicating about the changes properly within the business units. But they needed to convey the same message to the business line which was not enough through intranet as

it was supposed to communicate from supervisor to other supervisor and among the team also.

Mr. Saariaho agrees that productivity and efficiency has been increased as a result of incorporation. Finavia is more market oriented than before. As Finavia has more analytical data, they can react accordingly in the market. They are better to recognize the possibilities and to attract the airline companies. The marketing activities are better because of incorporation.

According to Mr. Saariaho, one of the biggest challenges was how the employees were involving into the changes. Instead incorporation was definitely positive for Finavia and also for the tax payer because the market value has been increased than before. He concluded with the statement, more passengers and less employees are the sign of improved productivity.

According to Mr. Sundelin, there were always both positive and negative challenges during the incorporation but the results are mostly positive. Company's legacy was the main challenge of public administration. Others are how to conduct the business, allocate resources, investment allocation and so on. Previously it was not much business driven but now more and more they are managing their investment portfolio and everything base on the business financial driver's perspectives.

Mr. Sundelin agrees that incorporation brought efficiency in all of their operation. About employee issue his opinion is, they were trying to balance the workforce after the incorporation as many employees left job retiring or left the company and also trying to avoid big re-structuring of the number of employee size. There are different level of training including management side, rules and regulation and service training.

He agrees that Finavia is more market oriented than before. The noticeable differences are for example more focusing on profitability, cost efficiency, pricing policy, competition, service to the customers, measuring their quality levels, ways of operations and in a word all over through the company. Before they were mainly focusing on how

to maintain the airport, customer departure and so on but now they focus more how to create customer value with their targeted financial budget.

Mr. Sundelin agrees that the company was benefited due to the reform. From customer point of view, Finavia is the most efficient airport companies in the world. Secondly, customers are getting 97% lower price from Finavia compare to their competitors. They have higher customer satisfaction index from few years which is creating positive experience in the market. The cost efficiency and brand value has also increased through which they are able to attract more international customers.

His opinion on decreasing employee size was, the productivity, efficiency and effectiveness has increased and so it impacted the employee turnover throughout the years after incorporation.

He thinks privatization in a very positive facilitator for development and beneficial for Finavia. He agrees that though there might be other reasons for efficiency but being privatized changes the attitude of the company that put things at the right perspective more and more.

Ms. Soikkanen supports privatization because it is profitable for companies, state and also for employees. Because if any private employee wants to switch their company, they always have an option to do so by their efficiency. Multi skilled workers are important nowadays because they are doing so many different things. And this type of people is being wanted by many companies. She also says that she likes the new culture where they are focusing more on customer, the investment has grown and they became more international.

She doesn't think there was much public reaction but she noticed the reaction within employees. Some were insecure since they felt safer to be a civil servant. The passengers' and customers' reaction was positive as Finavia was started providing service differently than a public enterprise as it was before.

Personnel are more aware how the company is doing economically. Employees are more flexible now. They have new ways of doing things by the managers as their expectation arises. How the managers are taking care of their employees is really important to Finavia, target settings and reviewing, ensuring employee performance is key role for managers. They have performance appraisal, talent management program that was not before in the company. During the time of public administration civil aviation, if any employee had below performance, they used to hire new employee rather than arrange training to improve present employee skills. In 2007 they started to organize regular training program for managers, mid management, operational management. They had certain policies and systematic way to doing things.

She explains the challenges from HR point of view that the employee structure was not right. There were different type of employees working in different role who did enjoy less workload. After incorporation, now they work more dynamically and efficiently. So, to cater this large employee size and engage them into new productive sector was a great challenge. So in the employee satisfaction survey the employee expressed that the work is more stressful and company demand more than before. The way of service also have changed since they were not much customer oriented before. The management also needed to concentrate on efficiency issue and recruit less people.

Mr. Järvela states that the new management introduced clearer target setting and more clear organizational responsibilities both in B2B and B2C marketing. At the same time the role was to establish clear account management structure towards airlines. He finds the changes mostly positive in development wise for the company and also personally. The passenger volume has increased and overall business has been developed from the last year. They cannot make a single conclusion that it is only because of incorporation and about the new management. The new management is one of the reasons but there must be some other reason as well. Because overall development has been positive especially in Helsinki.

Quality and strict target setting is the main criteria in the new management structure. For example, in a customer meeting what was promised to delivered in a certain time

period was maintained. There has been always a communication and customer discussion as an engagement; that is something not new but deliver something what was agreed is new. Strict target settings and regular follow up has ensured the efficiency towards the organization. Internal cost efficiency has been ensured too. Better management quality is also the factor that is reflecting company's profitability and productivity.

The less employee size is a direct result of cost efficient target and cost oriented management according to Mr. Järvela. Moreover, they have been doing many activities through outsourcing. There are various in-house training programs how to improve the service level. They have strict service level agreement with the service provider which includes rewards.

Mr. Järvela ended with the statement that as Finavia is a state owned company and they operate every regional airport. So it's the owners' decision whether to keep it as 'group' or make it private since no private company would like to run all regional airports knowing that they have to provide subsidy.

Ms. Juhola doesn't think privatization or public sector is a key matter for development. If a company has good resources, a set of goals and sound management that can make a difference whether it is public or private organization. She did not find any challenges due to incorporation. She states that when Finavia became a limited company in 2010, it followed several reforms as organizational structure but that was not exactly for the incorporation. So she did not agree that efficiency was related to the reform. The changes can be described typically as it affected administration and administrative process rather everyday life or operational work. But it might improve the efficiency in some point of administration but in the big picture the affect is minor.

Mr. Haapasaari agrees that incorporation brought efficiency among the company. They are now taking decision which is more business driven. They are also working on the cost effectiveness. According to him, privatization is beneficial but it depends on the company how they operate. Company like Finavia who is providing service and

competing with other international airports that is generating more profit. In this form company can take more business driven approach and it can make decision making clearer. He agrees that Finavia is more market oriented before. One thing they are doing is B2B customer satisfaction. So they are taking into account customer expectation and wishes and having constructive cooperation, and these has improved during past few years. Mr. Haapasaari didn't see any negative impact of the reform.

4.1.3. Customer Relationship with Airlines: Collaboration with Finnair

According to Mr. Nissilä, Finavia treats Finnair equally as other customer. Charges are same for all customers and they follow the fix pricing model. Apart from that they maintain a certain level of cooperation. Different experts from both companies meet regularly where they discuss technical issues regarding the airport operations so that the operation can be smooth for passengers including safety which determine the technical investment. It's a big co-operation but they cannot reveal such information that might set Finnair in a better position than others. They negotiate with Finnair how they can improve the infrastructure in airport, presents offer and make agreements. It's sort of commercial activity.

About customer reaction of incorporation his opinion is, their customer founds them acting more dynamic way than previously. Though some small customers who rides aircraft as hobby might like the previous public service than now since now they need to pay the market price. However, the charge policy has been changes after incorporation but they have separate agreement between military sides.

Mr. Saariaho says that Finavia treats all of their customers equally and tries to maintain good quality for all customers. The service level Agreement (SLA) is set for all customers. Finnair's market share is about 60%. They do maintain a good cooperation with Finnair as they are the biggest customer of Finavia. Finnair is using all the process of Finavia including several interfaces. The way Finnair and Finavia maintain the process is so efficient even the passenger doesn't ever feel there is a different service provider behind their service.

About the strategy of Finavia and Finnair, both are seeking to make growth transport traffic from Asian market. Their strategy factors are going to the same directions and related to each other. Without combined each other strategy, they would not have succeeded. When they have started the development project at Helsinki airport with 900mn euro as 20/20 project, and that the project where information is shared between Finavia and Finnair about what is coming here. They have also this kind of process for other airline companies as well. There are some joint services between these two organizations. For example, Finavia's parking services can be booked upon Finnair's application. They are sharing some technical infrastructure; IT system can be used by any airlines operating business in Helsinki airport.

Finavia is working with Finnair to boost the airlines business through freelancing in travel and tourism industry. They are investing in marketing activities so that Finnair can enhance more tourism destinations that might also be beneficial for airline companies to get more passengers. Mr. Saariaho assumes that the reaction of incorporation was positive between the customers.

Mr. Sundelin states that Finavia treats all of its customer equally though the frequency of discussion is naturally much wider with Finnair than any other airlines as they are the biggest as well as dominating customer. About co-operation between each other, they have certain key account management structure, collaboration bodies in different levels and in different areas. They have operational collaboration in various level of the hub site and on the network side. Finnair is facilitating quite lot of Finavia's premises. Finnair is also developing their infrastructure so that they can synchronize and grow together to increase business. In service operation, they cooperate each other including technical sides. Now when Finnair is increasing their cargo numbers, they are building their own terminal and warehouse and Finavia is co-operating them closely for their planning and other issues to succeed. They are collaborating with Finnair in order to build up success in Helsinki hub, and then of course it is a discussion of chicken and egg as a way that who brings more values. Anyhow, Finavia tries to facilitate Finnair to develop their business. They do provide air traffic service to Finnair, landing and

departure service, terminal service – these are all in aviation package. They are also providing infra service such as technical support, operational service, ICT and they are also trying to provide them the digital service including customer handling. Finavia is now more focusing on digitalization of their customer service.

They have project Hub 20/20 going on towards the growth so that they can develop their areas together to achieve the targets. They are trying to synchronize on the way how to move forward. But Finnair is not their only customer and they have also collaboration with others. They are collaborating with Finnair by co-marketing to build up Helsinki hub for both domestically and internationally. Regarding the change of the customer view towards Finavia, Mr. Sundelin says that Finnair has been always trying to develop their business. But hence they are helping them to do so by several collaborations.

Ms. Soikkanen says they cooperate usually for every aspect to develop business. Since Finnair is the biggest customer of Finavia and they are investing a lot of money to buying new aircrafts, so they are expecting to have new hubs and facilities to compete with Asia and other airline companies. They have some common targets and collaboration for customer orientation. They try to take care of the passenger in the same way for the passengers in the airport. It really doesn't matter whether the passenger is Finnair's or other companies, Finavia always try to maintain the same quality for every customer so as they do for Finnair. They have hub 20/20 projects going on.

About customer reaction Mr. Järvelä's opinion is, probably most of their customer didn't notice any difference because of incorporation. In B2B, the customer must be happy as service level was improved. But most of the customers were not aware of the incorporation. Hence both B2B and B2C customers were happy to receive Finavia's service.

They have account management structure with Finnair and account management to develop the airlines business. Since Finnair is the biggest customer so naturally they

have large cooperation model. They also have different types of account management structure for all of their customers which is associated to customer needs. They have cooperation and audit for Finnair so as they have same model for other airlines. Account management structure starts from day to day operational activity follows to weekly operational check meeting and having a bigger issue moves to monthly meeting even it goes to management level if needed.

There are various levels of cooperation with Finnair that goes from daily to daily operational cooperation in a longer term customer experience and process development cooperation. The check in process, security and how to develop whole process and increase efficiency is the big cooperation area. Though the cooperation exists the same way with other customer too but as Finnair is the biggest, they have more resources and interest to co-operate. They do run some mutual promotional plan and co-marketing. They are promoting some other airlines like Qatar airways which have been launched in Helsinki last October. So Finavia is promoting through press, inside the airport as Qatar has a big customer group who travel Asia a lot.

Their first target is to provide quality service to the airlines customer and passengers. Good Customer experience, reliability and functionality is being providing for the passengers. And for airlines customer, Finavia has been providing cheapest service in Europe especially in Helsinki airport. To grow business, they do analyze reports and every detail market analysis for their existing customer and to attract new customer through analyzing several data why the airlines should fly from Helsinki airport. Key setting point is not only the airport but also to create business opportunity among airlines. They are investing a lot of money in this sector to sell the analytical data to their new customer. They are setting the business case to promote opportunities. They provide various incentives like discounts up to 5 years. They are doing the same thing with tourism industry.

Ms. Juhola states that they have two different kinds of customers. First one is airlines and second one is passengers. The airlines are used to get the service of airport and the passengers do use airlines on the other hand. Since there were no changes happened in

daily operation, so she doesn't think their customer was very concerned about the incorporation.

Finavia has a close relationship with Finnair all the time. So, they do all strategic things together. There are several kinds of cooperation that Finavia and Finnair do conduct in everyday operation. As she handles all issues related to airline operation that means all kinds of aircraft operating in Helsinki airport. Like aircraft parking, maintenance, DI signal, jet fuel for aircraft etc. Finnair has own business strategy to develop their business. Increasing cargo services to their own business is a part of developing new business. They are building own cargo terminal by themselves. Every airline has fixed charge so as Finnair. Finavia and Finnair has a common marketing campaign in Asia as they both are interested to have more passengers.

Mr. Haapasaari states that Finavia is in close cooperation with the customers. So there should have not any negative reaction in their customer due to the organizational changes. If they are making changes that the customer finds positive, then they get positive reaction.

Finnair is biggest customer and to some extent dominating in decision making. They are cooperating in many levels within their organization. They maintain cooperation on day to day matters, weekly, monthly even in CEO level. They have regular cooperation like how to handle the traffic, operational matter, how to be more cost efficient and so on. They work side by side on how to improve the passenger experience and marketing.

He also says that Finavia operates all commercial airports in Finland including regional airports and also Helsinki Airport. Regional airports are competing with other modes of transport like bus and trains for the product cost. Helsinki airport is also competing against other similar airports as well. It's basically transfer traffic, to attract people on airlines to fly via Helsinki; big competition happens here. Because people do not fly airports, they fly airlines. So Finavia is doing lot of collaboration with the airlines through different promotions. They are doing co-marketing with the airlines. When somebody is opening to new route from Helsinki to somewhere then linked to that they might have joint marketing campaign so that they can be a part of the marketing cost.

Finavia is offering low charges for its customer like landing charge, passenger charges then they have also some incentives for new route. If there is any new route, then Finavia offers attractive incentives scheme that they can get for a certain number of years. For them the passengers are also their end customer, so directly or indirectly Finavia is getting revenue. Airline is comparatively negotiable like some fare or having targeted sales towards airports. Side by side it is more of marketing and communication to promote Helsinki airport to attract the airlines to fly via Helsinki.

4.2. Case Study 2: Finnair

About business relation Finnair's statement is, the Finavia airports supply similar services to all airlines and with similar terms, the exceptions in the Finavia Finnair relationship is that they aim to share more information with Finavia to ensure that their Helsinki hub is well prepared for possible changes in traffic or other operational or customer needs.

Finnair and Finavia share a common gateway traffic strategy where Helsinki is used as a point of transfer for passengers. This means that these customers are at the center of both companies' strategies.

Standard airport services that would generally be provided by any other airport that airlines operate to. Additionally, Finnair is leasing land at and near the Helsinki airport, and they have some offices and other structural leases within the airport area.

The incorporation speeded up decision making as ministry did not anymore have to approve all arrangements. Also, visibility of Finavia's business was improved, as they are reporting their statutory accounts, which include i.e. their balance sheet and reports on performance.

Finnair subjective opinion is that Finavia has been able to improve their performance on several areas after the incorporation, although this most likely might have been

technically achievable even without a change in their legal form. Finavia is also now more customer centric than before. The personnel in Finnair did not find new area of services rather than the similar kind of services are provided before and after incorporation. Finavia is an experienced airport management company, with very good processes e.g. in winter operations, this has surely helped the overall safety record of Finnair. For the growth of business, Finavia have shared information on Finnair's future potential passenger flows, and also are constantly going through all areas with Finavia to improve operations and passenger experience. Finnair is currently building a new cargo terminal on the airport area, this required Finavia to provide the building site and assist with the building project. Also, as Finnair is growing its fleet, Finavia is also extending its terminal capacity and structures and services related to the growth.

About effectiveness and competition their opinion is, there is little competition as Finavia airports are dominant in Finland. If we compare the Helsinki airport charges to other airports in Europe, it is still competitive, although it continues to increase its charges steadily.

In their view Finavia has increased its efficiency after the incorporation, this applies to general overhead charges. At the same time however, some regulations have been introduced increasing resource needs e.g. in passenger security check area. If Finavia can increase its efficiency, this should decrease its need to increase costs towards airlines and/or enable more investments.

They understand there are efficiency gains due to restructuring in Finavia, but also some services have been outsourced (Such as duty free shops) – this might lead to a heavy drop in headcount but not necessarily cost. They agreed that there is more customer orientation than before as well, but there might be other drivers than incorporation.

Participants of Finnair think privatization has played a role in making Finavia more efficient and transparent, although some effects are more indirect. They do not think the incorporation makes Finavia more “trustworthy” as a business partner than before, after all the company is still 100% owned by the state, with a regulated business, and as such is and remains a stable and reliable partner.

4.3. Ownership of European Airports: ACI 2016 Report Overview

In Europe the liberation of aviation sector has started in 1990, the airport business has undergone business transformation and according to 2010 ACI report, many airports were still considered as government departments responsible for basic infrastructure management. However, the figure in 2016 ACI report demonstrate the fact that, at least 41% European airports have private shareholders, in 2016 at least 3 out of every 4 passengers journey will be through these airports. Olivier Jankovec, the director general of ACI EUROPE stated,

‘This continued business transformation of airport is at its most intense within the EU–28 member states and with a number of privatizations in the pipeline, it is only a matter of time before fully publically-owned airports become a minority in the EU.’ (The ownership of Europe’s Airports:2016)

The consequences of commercialization of airport business is not only the domain of airport competition but also pressure of route development, traffic growth and the urgency to boost service quality. The majority 78% of European airports are now corporatized and the structure is followed as a mixed management of public-private though the distinction is perhaps blur. The ACI report 2016 surveyed with 500 European airports concluded that there had been a dramatic rise in private ownership in Europe. Result also revealed 205 (41%) surveyed airports now have private shareholders, 39% have full private ownership (79 airports) and 61% (126airports) has public-private ownership. ANA, Aeroportos de Portugal, SEA – Milan airports, Zagreb, Manchester Airports Group, Ljubljana and Toulouse airports are examples of the recent move from public to more private involvement.

Three kind of ownership style can be found in European airports:

- Full private ownership
- Mixed public-private ownership
- Fully public ownership

Table 5. Overview of the airport ownership in Europe

	Number of Airports	Number of fully public Owned Airports	Number of Airports with Mixed Ownership	Number of Fully Private Owned Airports
Total Europe	500	295	126	79
EU-28 Airports	355	189	106	60
Non-EU Airports	145	106	20	19

Source: ACI Report 2016: 3

- Full private ownership indicates those kind of airport operators that involves a commercial company which is fully owned by private enterprises or individuals. Any ownership entry owned by public authority will be considered as ‘private’ if that entity originate from different country or region than the airport is located. According to ACI report 2016, if an airport operator owned more than 98% by private parties, it will be considered as fully private. In EU-28 countries; Cyprus, Hungary, Portugal and Slovenia has fully privatized airports.
- Mixed ownership operator acts as an independently enterprise complying with normal commercial law whose shares are owned by a combination of public authorities and private investors. It is also referred as ‘Public Private Partnership’.
- Fully public ownership involves a single public entity or a mixture of public authorities at a regional, local or national level owing the airport operator.

According to ACI report 2016, if an airport operator owned more than 98% by public authorities, it will be considered as fully public.

A public airport operator is considered to be corporatized if it has the legitimation to act independently as an economic enterprise, structured according to and complying with existing commercial law whose shares are fully owned by public authorities of the airport located country. Usually their designation changes as LTD, GmbH or SA according to the countries jurisdiction indicates that they are autonomous and have limited liability. An airport is also considered as a part of public administration if it is functionally depending on the local/regional or national administration as an example; Ministry of Transport.

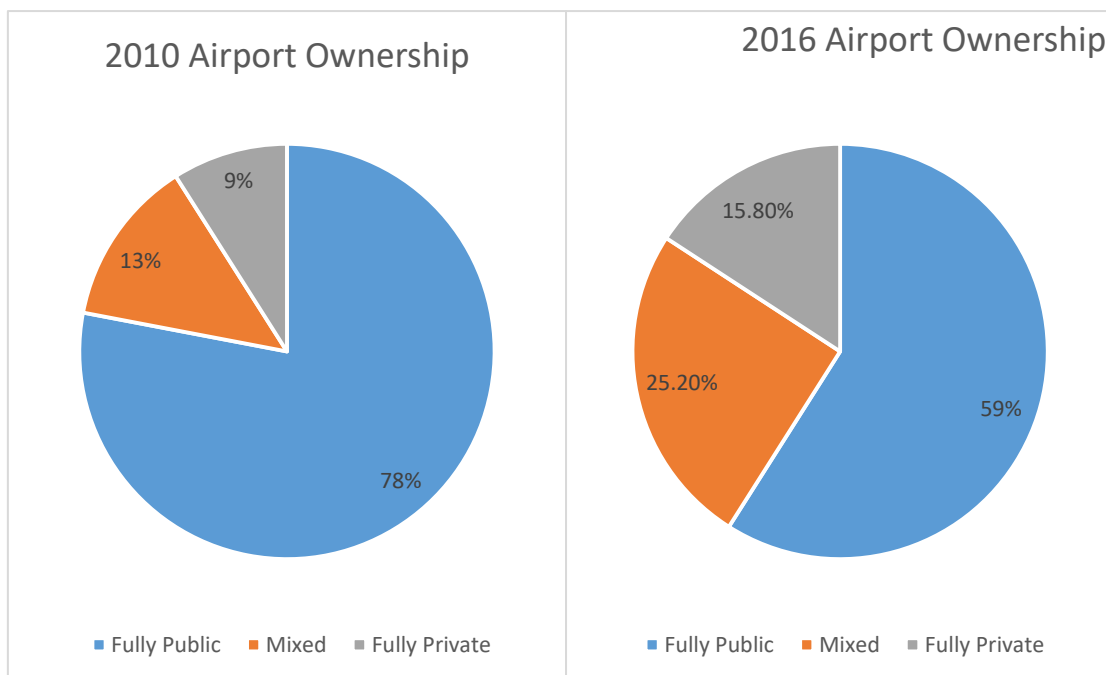


Chart 1. Airport ownership in Europe 2010 and 2016

Source: ACI Report 2016: 3

The above charts show the comparison between 2010 and 2016 based on the airport ownership in Europe. The charts show the ownership of fully public owned airports has

decreased from 78% to 59% in Europe and the mixed ownership has increased from 13% to 25.20%.

Though in 2016, a majority of European airports were still fully owned, the ratio has significantly dropped since 2010 when close to 80% of airports were fully public owned. Another trend has noticed in the intervening years is the various form of public-private partnership (PPPs) with a quarter of European airport operators are now having a mix ownership of both public and private participation. ACI report also shows that private involvement in European airport has doubled since 2010 and alongside the significant private involvement, there is another clear trend identified: private participation is more on the larger airports than the smaller local airports. Over 40% of European airports have at least some private involvement but these airports handle close to 75% of passenger traffic each year. This reveals the fact that larger airports are more beneficial and suitable for private investment where small airports are often structurally unprofitable. Another key finding in the report is that private involvement is more in EU countries than in the non-EU of European airports.

Table 6. Fully public owned airports in Europe.

	Fully Public	Of which are Part of Public Administration	Of which are corporatized
Total Europe	295	65	230
EU-28 Airports	189	55	134
Non-EU Airports	106	10	96

Source: ACI Report 2016:5

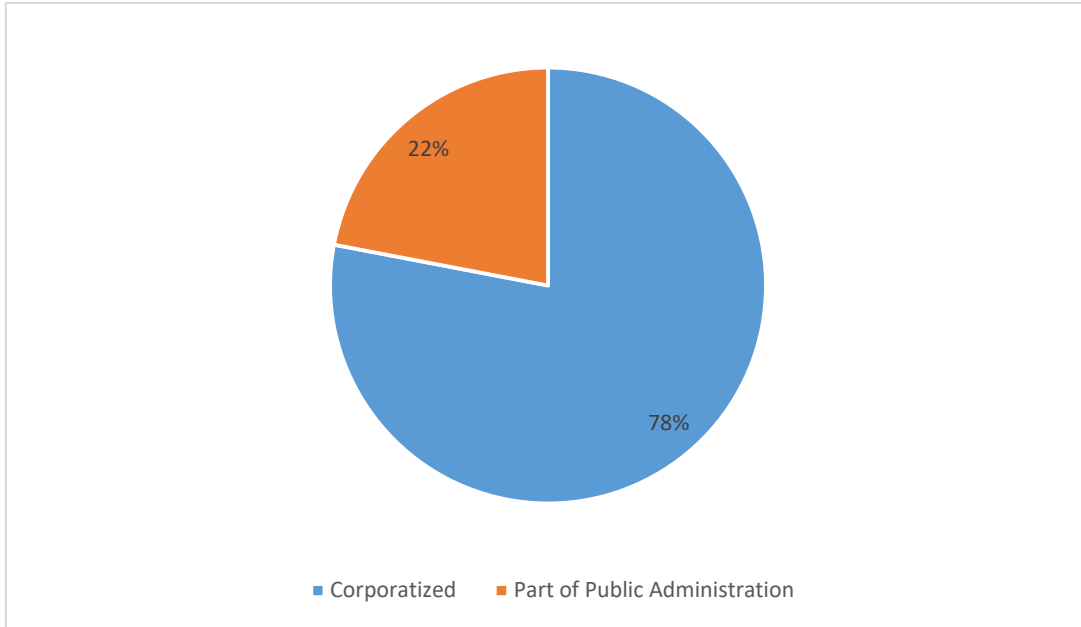


Chart 2. Structure of fully public owned airports 2016. (Source: ACI Report 2016: 5)

The above data shows that airports under fully public ownership, a vast majority are corporatized (78%) meaning that they are in practice act as a commercial company though the ownership remains in public hands. Compare to 2010, a larger proportion of public owned non-EU airport has been corporatized (91%) than their counterparts in the EU (71%). The ACI report also presents that those airports that are part of public administration are structurally less unprofitable due to their small size and the average number of annual passengers at these airports are less than 25% of all other airports that are with private involvement or corporatized.

4.4. Publications and Annual Reports analysis

It has been mentioned in Finnair's Annual General Meeting 2015 (page 7) that cooperation between Finnair and Finavia is smooth and accommodating to the customer overall experience. In their annual report 2013, Helsinki airport was mentioned as their home (page 9)

The Helsinki Airport is an asset to Finnair expanding the world class airline. They have synchronized 2020 growth plans with HEL Airport for Airport expansion, process development and smooth transfers. (Pekka Vauramo: 2016)

Helsinki Airport offers one of the most competitive services compared to many other European airports for example; the average cost per passenger incurred by airline at Helsinki–Vantaa Airport is EUR 26.1 compared to its main peer airports of EUR 31.6 at Copenhagen Airport (CPH), EUR 53.4 at Zurich Airport (ZRH), EUR 76.3 at Vienna Airport (VIE) and EUR 100.1 at Frankfurt Airport (FRA) (Finavia airport charges comparison sample: cost calculator implying average cost per passenger for Airbus A340–300, based on: international routes, maximum take-off weight 275 tonnes, maximum landing weight 192 tonnes, capacity 260, load factor 75 per cent). (Listing Prospectus: 2nd October 2015)

Finnair Annual report 2016: In 2014 Finnair introduced mobile boarding passes and in May Finnair and Finavia jointly introduced ‘self-service bag drop kiosk’ at Helsinki, Oulu and Turku airports that allows the customers to tag and drop their online checked luggage without any assistance. (Page 19)

In 2014 combining in one large transparent space with the Network Control Centre, Flight Planning Centre, Disruption Management and Flight Support Office, Defect Control and IT functions, Finnair renewed its Operations Control Centre at Helsinki Airport. Improving cooperation, quality and cost-effectiveness was the motive. The operator of Helsinki Airport guarantees a minimum connection time of 35 minutes that ensures well-functioning working relationships with the Finnish Border Guard and Finavia, also keeps passengers flowing through the airport. (Page 32)

Finnair is considering the possibility of establishing a biofuel hub at Helsinki Airport that is part of a project led by the Finnish Ministry of Transport and Communications that also includes Finavia and Neste Oil as partners. If the renewable bio based diesel gets approval for international use of aviation fuel, Finland will be one of the first countries to introduce the opportunity (page 40–41)

In 2014 the development of shared occupational safety rules for workplaces continued through cooperation between the various actors at the airport and the key partner was Finavia. The cooperation continued by assessing and supporting the safety efforts of subcontractors and updating the relevant rules and procedures. (Page 55)

Both Finnair Technical Services and Finavia maintains Helsinki-Vantaa Airport on the basis of their environmental permits. They have a continuous obligation to monitor the effects of their operations. Produced wastewaters are discharged into the municipal sewerage network except water-propylene glycol mixture used in aircraft de-icing. Finavia primarily collects and transports those to the waste water facility for processing. Finavia also maintains the environmental emission report. (Page 157)

Finnair Annual Report 2015: At the end of 2015, Finnair sold share of Kiinteistö Oyj Lentäjätie 1 (property co-owned by Finavia and Finnair Pension fund) in the property to Finavia. The sales gain of 6.6 million euros have been reported under non-recurring items. (Page 67)

In December, Finnair sold certain facilities to Finavia as part of the development of the infrastructure of Helsinki Airport and the transactions contains Finnair's present cargo terminal to be decommissioned in 2017 and an office building currently owned jointly by Finnair and Finavia. To enable Finavia's investments to expand the Helsinki Airport terminal the termination of a land lease agreement for one aircraft hangar was advanced. Finnair purchased another hangar from Elo Mutual Pension Insurance Company to replace the hanger. The transactions allow the development of Helsinki Airport in accordance with Finavia's and Finnair's growth plans and the positive impact on Finnair's operating profit in 2015 was approximately 15 million euros. (Page 26)

The "Future of Travel" hackathon event: Finnair, Finavia's Helsinki airport and technology provider Reaktor had jointly organized the event that sets developers the unique task of developing new services for airline passengers. The Hackathon was an open event where five team were targeted to develop new ideas and digital innovation

based on open data system interface in 48 hours. The winning team will be the one that creates best user experience.

"Finnair and Helsinki Airport have largely common customers, and we believe this is an excellent opportunity to combine our data from our customer interfaces to innovate new services for the various stages of air travelling," says Jouni Oksanen, Finnair's Vice President, Digital Finnair. (Finnair Press releases 2015–11–03)

Co-operation for Extending Terminal: Asian traffic is a major target for both Finavia and Finnair. Finnair's strategic objective to double the Asian traffic in 2020 than 2010. To achieve the target, Finnair is now increasing the number of airbus by ordering 19 new Airbus A350XWB aircraft which also included cargo. To facilitate the growth of the cargo, Finnair has targeted to build up a new state-of-the-art cargo terminal in 2017. On the other hand, Finavia has launched expansion and development of the passenger terminal to provide for the needs of the increasing traffic. Finnair has sold some certain facilities at the Helsinki Airport area to Finavia as a part of infrastructure development. The transaction consists of decommission of Finnair's present cargo in 2017. It includes an office building jointly owned by Finavia and Finnair. In addition, to enable Finavia's investment to expand the Helsinki Airport terminal the termination of a land lease agreement for one aircraft hangar has brought. The transaction will enable the development of Helsinki Airport to achieve the growth of Finnair and Finavia and the positive impact on Finnairs operating profit in 2015 is about 15 million euro. A long term rental agreement for the facilities used by Finnair in the sold office building have concluded between Finnair and Finavia's subsidiary LAK. (Published: 2015–12–01 09:00 EET)

Quality Hunters: Quality Hunter was a program where Finnair and Finavia have chosen seven participants as Quality Hunter who will observe flight operations and services in accordance to improve customers travel experience. It started 20th October 2011 and continued for six weeks. The group of quality hunters were travels on Finnair's flights from Helsinki Airport to different destination in Asia, Europe and America. Seven Quality hunters were chosen among more than 2,000 applicants. Their purpose was to

monitor and evaluate a specific category selected for them and report their experiences and development ideas about those areas (Finnair Plc, Communication 20.10.2011)

In Finnair's annual meeting 2016, Klaus Heinemann, Chairman of the Board stated that *"Success requires development of Helsinki Airport in cooperation with Finavia."* He also highlighted that their cooperation with Helsinki Airport plays a key role to ensure smooth transfer experience for their customer. Though the airport was functioning smoothly, the experience in recent year is little unsteady since the airport is being expanded to prepare for growth. He also gives importance of cooperation between Finnair and Finavia in accordance to find a way to emerge the transition as the winner. Helsinki airport plays a crucial role in their customer experiences as well as the company's success. He also mentioned,

"we both must succeed, since without the other, there is no other. The expansion must be completed in a manner that preserves the reputation of Helsinki Airport as a smooth connecting airport." (Published: 2016-03-17 15:15 EET)

5. DISCUSSION

From the argument of different participants, the reasons behind market orientation has been explored. Most of the participants' states that at present economic situation, being more business driven and going towards privatization is a natural process. The advantages and challenges of market orientation are also revealed after analyzing and examine different opinions. Most of the participants find privatization is positive for the organization though they argue that the changes and outcomes are not necessarily as a result of incorporation. The company was going towards business model since decades as a demand of customer and competitive market. The reasons, organizational changes, benefits and challenges have been illustrated from their discussion to find out the thesis questions. Also the relation and cooperation between Finavia and Finnair has been illustrated in this chapter.

Reasons and background:

1. One important reason of market orientation is the urgency of new management style. Government owned organizations have more hierarchy that effects on the growth of the development. The management structure is much simple as a limited company.
2. Changes of decision making power might be one of the important reason towards market orientation. The decision making power is now decentralized and distributed according to the responsibility area after incorporation. The decision making of Finavia administration and Finavia group is governed by the company's articles of association, Limited Liability Company's act, Guidance of Governance for Limited company and State Enterprises under the ownership steering of Finnish Ministry of Transport and Communication.
3. One participant's has the opinion that the legislation of EU level influenced to make the decision of incorporation. The majority (78%) of European airports are now corporatize and following a mix management of public-

private. Finavia has separate pricing for domestic and international airports. However, in recent years European Union has ordered to standardized the air traffic charges imposed by airports (Finavia press released: 30.08.2016)

4. Job responsibilities were not well defined under the public administration aviation and more employee were appointed than needed, professionalism were not maintained since employee were not accountable to the company for their productivity. To compete with the present market, Finavia needed to be more customer oriented and employee with multi-tasking capability.
5. Demand of customer is an important reason of incorporation. To survive in competitive market, Finavia needs to offer cheaper price with more efficiency and best service quality. In civil aviation administration, the price was higher. Helsinki airport is now the cheapest hub in all European airlines and in 2005–2015, the prices of airport services in Finland has decreased annually by 0.9%. (Finavia press released: 30.08.2016)
6. One major reason is the general corporate culture changed to be more business driven target settings like revenue wise and new customer setting.

Benefits observed:

1. Productivity and customer satisfaction has been increased. 93% Finland's international air traffic and 16.4 million passengers annually passes Helsinki airport, 51% of them are foreign passengers (Helsinki Airport Fact sheet). According to Finavia Annual report 2015, the revenues of Helsinki airport grew 0,6% in 2015 largely resulted of higher passenger volume totaled 195,2 million. The main factor was mentioned as 'introducing new business model'.
2. Most of the participant did not agree that the term monopoly applies for Finavia since they have international competitors as well as some small regional competitors as well. The competition situation is very tight for Finavia. According to WEF's (World Economic Forum) Global Competitiveness Report 2014–2015, Finnish Air transport has world fifth best infrastructure. Finland scored 6.2 on the scale of 1–7. (Finavia Newsroom: 16.12.2015)

3. Profitability and investment has been increased after incorporation. Finavia launched EUR 900 million investment plan in 2013 to enable to serve 20 million passengers by 2020. Finnish government injected EUR 200 million in Finavia to fund this investment. (Finnair Listing Prospectus 2015: 21)
4. More focus on customer and marketing strategies than before. Helsinki airport gets 170,000 takes off and landing each year and 50 airlines are operating regularly at the airport. Finnair, Flybe, Norwegian, SAS, Lufthansa, KLM and TUI group are the largest airline operating company. (Helsinki Airport Fact sheet)
5. Job responsibilities are now defined and multi-tasking has been introduced. One employee can take several responsibilities according to his efficiency.
6. Due to restructuring, a good number of talented people were hired with very good efficiency to handle digital business model, marketing, technical experts and so on.
7. Finavia's increasing investment on Airport has provided work for thousands of people and the employment impact of the investment throughout Finland has been 2500 man-years during last two years. The largest investment were made in Lapland airports and Oulu, Turku and Tampere-Pirkkala and also expansion of Helsinki Airport will create lot of work. The total air traffic in Finland provides work for 100,000 people and only Helsinki airport directly provides work for 20,000 people. According to the development program, the estimated impact on employment of the Helsinki Airport construction will be 14,000 man-years until 2020 and the passenger volume increase to 20 million will create 5,000 new jobs. (Finavia Newsroom: 11.01.2016)
8. Air navigation services increased its revenues by 8.9 percent to EUR 66.1 million from 60.7 million in 2012 due to reform of the charge structure in air navigation service charges. The number of overflights in Finnish airspace in 2012 dramatically increased to 48,000 overflights from 43,800. (Finavia annual report 2012)
9. Banks and other financial companies are treating Finavia differently as a business organization than public enterprise. The European Investment Bank (EIB) has provided EUR 230 million loan to Finavia Corporation on 4th

February 2016 for the expansion of the Helsinki Airport which will enable the international hub to serve 20 million passengers by 2020. The investment includes the expansion of the terminal with two additional piers, 50% enlargement of the baggage handling system (BHS) and airside infrastructure and various associated landside as well as increase in wide body aircraft bridges and apron capacity. This extension program will result in an increase of up to 5000 new jobs and EIB strongly supports job creation. Including this operation, EIB has provided four loans to Finavia. (Finavia Newsroom: 04.02.2016)

Challenges:

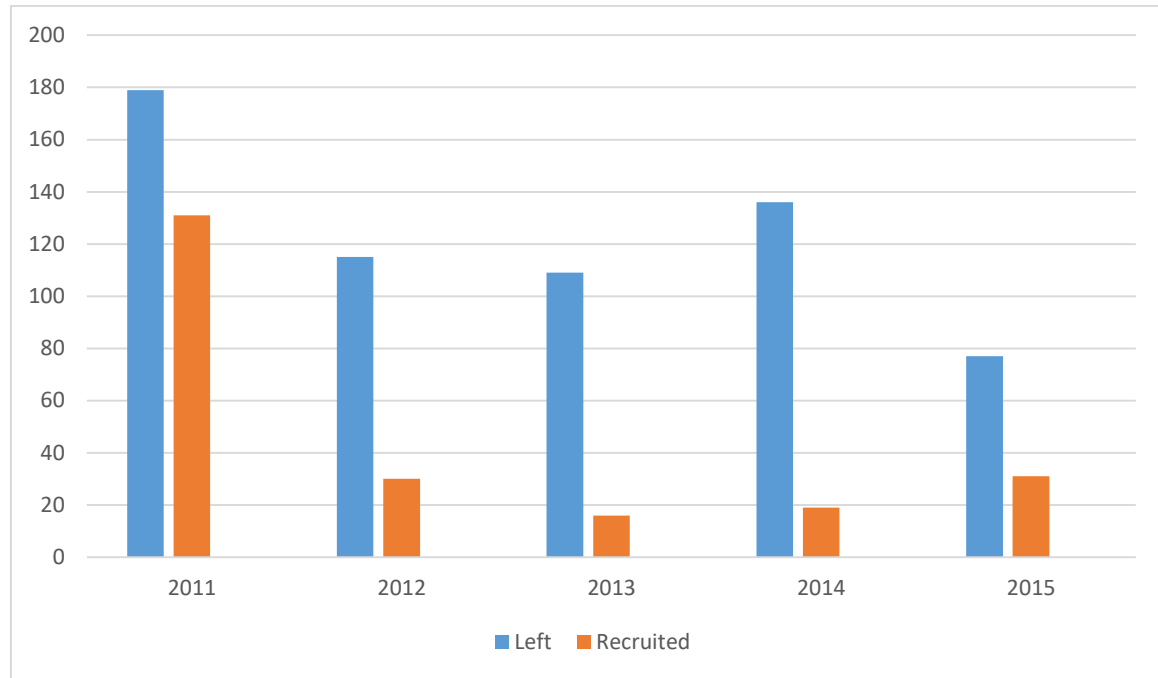
1. One shareholder might have one point of view for business strategies and for Finavia it reflects the view of Finnish people. In spite of having losses Finavia needs to keep some regional airport by subsidizing and providing dividend.
2. Though the major decisions are fully business driven, the political view might pressurize to some extent. When we talk about owners' view, there is always political pressure especially during the change of government. Though two participants did not agree that the changes of government influence the decision making.
3. As a result of reform process some potential customers loses their interest and they search for other options. Some of them loss their faith since they expect the same charge provided by government organization.
4. Restructuring causes personnel cut that can create job insecurity and lack of motivation. It can be challenging to involve with the dynamic work system for those employees that enjoys less work pressure.
5. Monopoly exists within regional airports. Though competition does exist in international markets, the regional competitors are still limited.
6. Though in long term the reform brings many positives outcomes but in short the changes are at some point challenging. The volume of rendered air navigation services decreased by 8.5 percent in 2012 as the growth in the air

traffic slowed down from 2011. The volume of flight route service decreased by 5.1 percent. (Finavia annual report 2012)

7. The company is obtained to run small regional airports even being unprofitable and needs to subsidize. The EU aviation legislation 1008/2008 determines that air service shall primarily be provided under market condition. As it is an international business hence aid can make this competition as a barrier. Only those will be subsidized where other mode of transport cannot set the service standard. For example, Varkaus air route was discontinued on 2013. Later on Helsinki-Savonlinna air route was introduced in 2014. For this reason, the state budget had to contribute 1.4 million euros. (Finland's Air Transport Strategy: 2015–2030)

Organizational changes:

1. The major changes have been observed in management style and managing structure. The change of management model is a continuous process that had already been started from 1991 as a public enterprise model and most of the changes were held during 2005–2010. The organizational structure is now working as limited company and shaped as business model. There was not any one-night change due to incorporation. Target settings and reviewing employee performance is now one of the key role to the managers.
2. Many training program was needed for the employee for example: customer service, marketing training, strategic thinking and so on. Though one participant did not agree about this statement.
3. Employee size has decreased significantly due to the increased efficiency of employee and cost effective budget. Another reason was mentioned as right people at right place.



a.

b. Chart 3. Number of Permanent Employee Recruited and Left (2011–2015)

c. Source: Finavia Annual Report 2015

4. Report and analysis have been introduced for marketing to offer the customers for the possibilities to start up new Airline network so that the customers can recognize demanding route. Marketing policy and financial decision are taken more analytical way.
5. Considering safety and reputation issue, a number of infrastructure improvements were initiated at Helsinki-Vantaa Airport in 2014 and new infrastructure has been started in 2016. For example: Finnish government has a track record if demonstrated strong support of Finnish Aviation hum that includes also development of the Ring Rail Lane Project 2009. The Ring lane became operational on July 2015 (Finnair Listing Prospectus 2015: 21).
6. Less active departments such as regional HR department, Financial Management for small airport are now centralized. As a result, the decision making is faster and cost efficient.
7. They have started to recruit people with more private experience and more efficient with multi-tasking capabilities.

8. Flexibility, incentive policy, more reward, profit sharing and bonus schemes have started for personnel and in business.
9. The company is driven through specific target and set the management accordingly to achieve that.
10. Finavia was matrix organization before and now they are line organization after incorporation.
11. Finavia is now more business driven organization than authority based model. The new air transport strategy identified 50 key areas for strategic development. If any regional airport wants to take over the charge to run the airport by themselves, Finavia and transport ministry will work closely to hand over the responsibility. Current investment will be continued for Helsinki airport to make it more profitable and attract more competitive customer as an international transfer hub. (Finland's Air Transport Strategy: 2015–2030)

Customer relation with Finnair:

1. Finavia treats all of its customer equally and do not differentiate among its customers. They have fix pricing model applicable for all airline companies and SLA (service level agreement). Though as a biggest customer Finnair is dominant among others. The charges collected from airlines were increased 1.1% in 2013 and 3.9% in the beginning of 2014. In 2015, Finavia decided to freeze their airport charges. (Finavia Annual Report: 2013,2014)
2. They have different level of cooperation and negotiation with Finnair to ensure passengers satisfaction and safety and develop the infrastructure.
3. Their customer's reaction about incorporation was positive. They found Finavia more dynamic and efficient. Finnair argues that Finavia is now more customer oriented than before but the reason is not only the incorporation.
4. Finavia presents more analytical data and reports for their customer to evaluate the demand of a new routes. They also offer incentives and discounts for new routes. For example: Finavia offers 70% discount for the airlines starting new destination points in their passengers and landing fees (Finavia Annual Report: 2014)

5. Finnair founds Finavia with less hierarchy in decision making process after incorporation and more developed service quality.
6. Different co-operation exists in day to day service from the management to CEO level.
7. Both company has common targets like customer centricity, attracting more Asian customer and so on. To conquer the targets, they have introduced several projects and operations. Projects like hub 20/20, quality hunters, runway fashion show, introduce new technology to the customers for check in, cooperation to expand the airports, ensure passengers safety and smooth travel are ongoing.
8. Though Finavia finds their service is one of the competitive in Europe, Finnair finds their charges are up growing.
9. Finnair did not find Finavia trustworthy than before since the state still owns 100% share of the company but their business relationship is stable and reliable.
10. Finnair states that though the efficiency has increased after restructuring, Finavia is now more out sourcing for their different services which might not be cost efficient.

6. CONCLUSION

Though privatization has been challenging in different countries for the sake of political influences, it has also been proved that this phenomenon is well established now from region to region and country to country. Diversified output has been experienced by implementing massive expansion of public service through various development agencies to bring organizational changes in terms of cost effectiveness and reduce pressure on government service. Bureaucracy in decision making process, different political influences, compete with the market has led the privatization process in many countries. New public management on the other hand played a noteworthy role by reforming public sector including decision making, introducing new theory to be more market driven and customer focus approach. After Second World War, regions like Europe, America were more concerned about peoples' welfare and they have taken many initiatives to develop the infrastructure side by side restructured the public bodies to ensure maximum outcome. As a result, transport sector, health sector had been developed so remarkably. Some countries took privatization as a development tool by transferring public goods and services to private sector so that it can save cost and bring efficiency compared to public sector.

Market orientation on the other hand is very important component for any developed and developing countries. As the customer behavior is changing day by day, every company is trying to act as the way customer want. Public sector here, has a less intention to make profit is also trying to introduce market orientation by considering the policy, customer satisfaction and be more vibrant in market unlike many private organizations. Finland has experienced a massive market orientation by incorporating its' one of the major service sectors; airline service provider Finavia. This is one of the greatest examples of market orientation where Finavia has become a public limited company where government owns 100% market share. Finavia is now providing services to many airline operators including Finnair. According to many top officials of Finavia, the organization has experienced greater effectiveness after the incorporation and the yearly turnover rate is very impressive. Some also urged that efficiency does not

matter to any form whether it is public or private organization; right people at the right place can ensure the esteemed organizational goals.

However, the argument regarding private and public companies has always been practiced across the globe. Many author found privatization as an important indicator to development whereas many criticized this process as highly profit oriented process. But introducing new public management and reforming public sector, many countries achieved several development indicators in terms of welfare perspective and customer satisfaction as business term. It is hard to draw any certain possibilities that privatization is the only way for development, yet this is the mostly used factor for many countries.

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APPENDICES

APPENDIX 1. List of interviewees

Petteri Nissilä
Senior Vice President, Director of Legal
Finavia Corporation.

Mikko Saariaho
Senior Vice President, Director of Communication
Finavia Corporation.

Kaarina Soikkanen
Senior Vice President, Director of Administration and Personnel
Finavia Corporation.

Joni Sundelin
Senior Vice President, Director of Airport Networks, Sales and Marketing.
Finavia Corporation.

Timo Järvelä
Head of the Key Account Management and Route Development
Finavia Corporation.

Ville Haapasaari
Senior Vice President, Airport Director
Finavia Corporation.

Heini Noronen Juhola
Senior Vice President, Airline Operations
Finavia Corporation.

Three Teams of Finnair
Finnair Group Operations, Facility Management, General Management.

APPENDIX 2. Interview Questions Finavia

1. How long have you been working in Finavia?
2. What kind of changes have you noticed within the company?
3. As a public limited company, how Finavia acts in market?
4. Which promotional strategies are you following at present?
5. Finavia has only one shareholder 'Finnish state', which indicates monopoly. How do you explain it from administrative view point?
6. After incorporation in 2011, Finavia has made several organizational changes.
 - i) How do you find those changes compatible within the company?
 - ii) Where the changes did influence most? (explain- negative/positive)
 - iii) What kind of development have you noticed?
 - iv) Have these changes made Finavia financially benefited?
 - v) What kind of training program was organized for employees?
 - vi) What was the reaction in your customers about incorporation?
7. What Legal procedure was followed for incorporation?
8. Which factors has emerged the necessity of incorporation?
9. Finavia at present is more focusing on their customer.
 - i) As a biggest customer, how Finavia is co-operating with Finnair?
10. Is there any special service does Finavia provides to Finnair?
11. What are the future strategies to strengthen the relationship between these two organizations?
12. What type of challenges did you face when Finavia incorporated?
13. Do you think this reform has brought efficiency among the organization?
14. Apart from business relationship, what Finavia does to grow airline's business particularly for the biggest airlines of Finland?
15. What was the previous management style of Finavia before incorporation with Finnair? How do you relate the present status with new concept of 'New Public Management'?
16. Do you think Finavia is more market oriented now than before? What are the major differences before and after incorporation?
17. For the growth of business, what kind of joint ventures and projects have Finavia and Finnair has started?
18. It has been observed that the employee size is consistently decreasing after incorporation, what might be the reason in your opinion?

APPENDIX 3. Interview Questions Finnair

1. Finavia and Finnair are working side by side in their business. How do you explain your business relationship?
2. What kind of facilities and services are providing by Finavia to you?
3. Finavia has been incorporated as a public limited company in 2010. How did that influence on Finnair business?
4. Do you think their services have been improved over time after incorporation?
5. What type of facilities are Finnair enjoying after incorporation than before? Do you think being privatized make a company more efficient and trustworthy for business?
6. Do you think the decision of being incorporated resulted cost effectiveness? How did that influence in competitive market?
7. Finavia provides services to several airlines, to what extent you think Finnair's customer centricity has been ensured?
8. What kind of organizational and legal changes have Finnair made to cope up with the changes in Finavia?
9. As a major government owned Airline Company, how Finnair has adopted this changes? What was the major challenges for this?
10. What kind of affect did you notice in manpower during the inauguration?
11. Was there any effect on your customer due to the above changes?
12. To what extent do you think Finnair has been benefitted?
13. It has been observed that the employee size is consistently decreasing after incorporation of Finavia, what might be the reason in your opinion?
14. What is the employee satisfaction level? Do you think employees are satisfied with the current organization structure and benefits after the incorporation?
15. Being one of the safest airlines in the world, how do you evaluate Finavia's contribution to achieve this milestone?
16. For the growth of business, what kind of joint ventures and projects have Finavia and Finnair has started? (Please provide information which is not confidential. Brief description is not required).
17. How Finavia supports when Finnair extends their business for example: number of cargo?
18. Do you think Finavia has become more customer oriented than before as a result of incorporation?