Does asset-light strategy contribute to the dynamic efficiency of global airlines?

Wei-Kang Wang a, Fengyi Lin b, Irene Wei Kiong Ting c, Qian Long Kweh d, Wen-Min Lu e, Tzu-Yu Chiu a

a Department of Accounting, Yuan Ze University, 135 Yuan-Tung Road, Chung-Li, Taiwan, ROC
b Department of Business Management, National Taipei University of Technology, Taiwan, ROC
c Faculty of Industrial Management, Universiti Malaysia Pahang, Lebuhraya Tun Razak, 26600 Gambang, Kuantan Pahang, Malaysia
d Institute of Management Technology, Dubai International Academic City, PO Box 345086, Dubai, United Arab Emirates
e Department of Financial Management, National Defense University, No. 70, Sec. 2, Zhongyang North Rd., Beitou, Taipei 112, Taiwan, ROC

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ABSTRACT
This study analyses the effect of asset-light strategy on the dynamic efficiency of global airlines from 2008 to 2013. First, a dynamic data envelopment analysis is employed to estimate the dynamic efficiency of global airlines. Second, the degree of asset-lightness is computed by combining the concepts of the DuPont equation and financial ratios. Third, a multivariate analysis is performed to analyze the association between asset-light strategy and dynamic efficiency. The findings show that asset-light strategy significantly enables global airlines to have better corporate performance. Overall, this study suggests that global airlines should efficiently manage and allocate their light resources to sustain challenges in the dynamic global airline industry.

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1. Introduction

The global airline industry incurred a $13 billion net loss in 2001 based on statistical data provided by the International Air Transport Association (IATA). Furthermore, global issues such as fluctuating international oil prices, the global economic recession, and contagious diseases have affected airline operations, including dismissals of staff or filings for bankruptcy protection. Although passenger and cargo demands have recovered in recent years, significant losses are still found in all regions, except for Asia-Pacific and Latin American emerging countries that have higher international passenger demands compared to North America and Europe. Different players have resulted in the evolution of competition in the global airline industry and recent developments in the industry include changing business models. Southwest Airlines has differentiated itself as a low-cost, short-haul, express airline, and that has proven to be a winning strategy for competing in the highly competitive airline industry.

Besides the above-mentioned scenario, this study analyzes how well airlines perform in the global market in terms of continuously managing and allocating resources to ensure their survival and growth. In other words, global airlines should have lower operating costs and risks in the continuing evolution of the highly competitive global airline industry (Belobaba and Odoni, 2009). A sustainable competitive advantage can lead to an above-average performance or profits (Barney, 1991; Wiggins and Rueflı, 2002). Limited resources available include both tangible and intangible assets, both of which can be identified from airlines' financial statements such as patents, franchises, trademarks and copyrights, and strategic intangible resources that are not captured on airlines' financial statements, such as corporate branding, customer relationships, and operating strategies (Liou, 2011).

A type of corporate strategy that could create a competitive advantage is the asset-light strategy, which corporations have been utilizing over the past few decades (Gannon et al., 2010) as a response to serious challenges in the dynamic airline market. In