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Strategic Control Information in Airline Route Decision

The purpose of this paper is to analyze how airline companies use their management control systems in order to gain a sustainable competitive advantage in a situation of environmental change resulting from economic deregulation. Moreover, the paper aims to find out the distinct characteristics of strategic control information in the service sector. Therefore, a general model for strategic control information applicable to various industries and environments will be developed.

The paper reports on the results obtained from a case study within Finnair, the Finnish national carrier. The study describes how the company prepared for deregulation by adapting its strategies, organization structure and management control systems. The strategic control information in a route decision was investigated. Producing planning and control information for strategic decision making was mainly based on traditional methods, and the control systems did not generate a great deal of information in accordance with the theoretical model of strategic control information. Nevertheless, strategic viewpoints were taken into account in management decision making, in spite of the shortcomings of the control system. Moreover, the company has gradually begun to adjust its competitive strategy and organizational structure to the deregulated environment. The paper argues that a strategic cost management framework will give companies new cost management tools.

The paper provides support to the results for other strategic management accounting research. Moreover, the model of strategic control information developed in this paper will be useful for further studies. The characteristics of strategic control information can, at least, be generalized to apply to other traffic companies producing mass services. Finally, future work could extend the analysis of one strategic decision to the examination of planning and control systems at the company level.