

Creating value through sustainable business practices

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Abstract

The objective of this paper is to undertake a case study of Auckland International Airport and to examine how its sustainable business practices can create stakeholder value. Auckland Airport is the largest airport and the main gateway into New Zealand for international tourists. The paper investigates the impact of corporate growth-strategy announcement on the formation of a joint venture to build a 4-star airport hotel using an event study approach. The new hotel creates economic value to Auckland Airport as it is expected to generate considerable long term tourism revenue to the company. Additionally, it can stimulate economic growth and employment for the Auckland region as its proximity to the largest airport in the country attracts airline crews and transit passengers, and the hotel offers meeting facilities for MICE tourism. We found that the New Zealand share market's reaction to the hotel joint venture announcement on 23 July, 2009, as proxied by the stock returns, to be significant. Economic value creation or business profitability of a firm can be used to create societal value. Auckland International Airport has invested in socially responsible environmental and socio-cultural initiatives to create value for its stakeholders, as discussed in the latter half of the study.

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