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Ayse Kucuk Yilmaz
Triant Flouris

Corporate Risk Management for International Business

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This book is dedicated to our families

Foreword

Aviation, even at the best of times, is an industry with narrow margins—both operationally and managerially—and as such, leaves its managers very little room for error. Risk management processes are essential in assuring the best possible results for an organization in general, and very importantly for an aviation organization where risk incidence is high. As such, managing risk systematically is of great use and significance in all levels of strategy alike: functional, business and corporate, and as an optimization tool for an organization. Through Enterprise Risk Management (ERM), we can see a holistic picture of an organization and also prepare risk scenarios toward the future of an organization, and thus, can manage in the most optimal ways possible.

Risk management is like a preventive medicine and crisis management is like being a surgeon.

If you do not have a proper risk management programming, planning and training, during a crisis your damage will definitely be doubled.

Because risk management strategy will give you the ability to decide fast and this will help you to act fast during the crisis management.

Since aviation business is a volume business, clearly, there is a need for a better understanding of the use of ERM in the aviation business. This new book will help to address this need with its clearly explained and well-illustrated accounts of the essential elements of the ERM process, particularly as it applies to the aviation sector. The book provides a systematic and strategic approach to risk management, demonstrating awareness of its use both to practitioners and academics.

February 2017

Dr. Eng. M. Sani Şener
CEO/Executive Board Member
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Preface

The international business environment has different qualifications from local ones. This means that global business carries both more threat and opportunities from other corporates. In view of sustainable corporate strategy and management, managers should both seize opportunities while minimizing the adverse effects of threats. In this process, managers should understand their risk profile which includes investment-related risks. These risks may in following issues: economic, social, environmental, political, organizational and the country's culture structures, etc. At this point, our book may be a key source for managers to understand all related issues in order to manage risks in global way.

This book can empower business managers to administer their risk using strategies that follow a holistic and systematic approach based on contemporary methodologies with an international outlook. These approaches are based on the Enterprise Risk Management (ERM) mentality. ERM-based approaches focus on minimizing threats while seizing opportunities and as such balancing risk appetite and risk tolerance in corporate entities. Therefore, our book may be used as a strategic tool for effective and timely decision-making in international business.

> *According to COSO ERM Framework (2004), Enterprise risk management provides* reasonable assurance *regarding the* achievement *of entity objectives.*

The book is addressed to professionals and managers in business management. It is also directed towards researchers in risk management andstrategy, especially to those with interest in both aviation and automotive sectors.

Enterprise risk management has vital importance for a business which operates in a highly volatile and uncertain environment. Enterprise risk management gives reasonable insurance way to comment on all corporate risks in a timely manner. It introduces an opportunity to turn risk issues into advantages. The book serves as a guide for business managers who can apply this advanced managerial approach to their own businesses.

We believe that corporations need a strong sustainability management framework to effectively manage the economic, environmental and social risks, to achieve their corporate sustainability objectives and to meet their stakeholders' demands. Our book offers a fresh integrative approach to both understand and internalize with their management style.

The best corporate sustainability strategies and management approaches require consideration of all corporate risks from both a holistic and a systematic standpoint. Our book aims to present all required sides of business management and strategy via both a fresh and contemporary risk management approach.

Also, we focused on international business management in this book. For this aim, we have reviewed both the extant literature of international business as well as companies active in the international realm. International businesses have different characteristics from local businesses. Managers must have robust and detailed information about the qualifications of international business and strategy, and must integrate their knowledge on business management into risk management. Our book aims to integrate international business with corporate risk management. This integration may serve to improve corporate sustainability and close corporate goals.

The book of readings in The Corporate Risk Management for International Business is divided into several main chapters. Each chapter includes the different vital sides of both international business and risk management. First, our book begins with a definition of international business followed by a definition of applied (on critical issues) ERM, integrating the two together.

We believe that:

- our approach can be instrumental in improving awareness of the integration of global business and risk management
- our integrated approach may contribute to the field of corporate management and strategy
- managers may gain insight about holistic risk management in international business
- managers may be provided with the opportunity to improve their ability to receive both the accurate and timely decisions
- both readers and managers may gain insight regarding all aspects of enterprise risk management via an integrated approach.

The contents list along with a synopsis of each chapter is as follows:

The book begins with an overview of international business management in the current age and also in a contemporary business environment. Today's business environment has complex characteristics. Furthermore, today it is difficult to understand, comment, develop, and manage strategy. For these reasons, our book begins with the main question: "What is international business management?" Following the main contents and terminology we will present the means of enterprise risk management. So, Chap. 1 discusses management and strategy from a conceptual perspective and presents the relationship between leadership style, strategy and organizational culture with enterprise risk management. Chapter 2 presents the main topic in management and strategy as a resource dependency risk: Our opinion is that managers should be aware that resources are limited and managers have to set a resource dependency bridge with their stakeholder. Resource dependency creates main sustainability risk in view of business, management and strategy. To survive, managers have to know how to manage the risk of resource allocation and also use their limited sources effectively to conduct international business.

Our book has a separate chapter on critical event stress management which is a critical issue to business management since un-routine events affect business in unthinkable ways. So, managers have to manage human resource based risks especially in critical times—for example, during a major conflict.

The last section of the book presents real life case studies on corporate enterprise risk management practice. This chapter should be useful for all readers to understand and believe the vitality of enterprise risk management. Actually, risk management is a way of life and a mental state since it has a philosophic side. ERM must be systematic and practiced in a continuous manner to be effective and sustainable. Every person and every business manager is aware that in order to survive risks must be managed, and in order to do so, one must be able to understand that one has to command them and manage them. Managing a risk is about making decisions based on options and enterprise risk management provides an awareness path to these options. TAV Airports Holding and Brisa Holding provide us with salient examples of corporate ERM practice.

More specifically, in regard to a thematic breakdown of our chapters:

Chapter 1 focuses on business and strategy through the integration of enterprise risk management. The co-author of this chapter is Hilal Tugce Bal, who works as a research assistant for Anadolu University.

In Chap. 1 we deal with the importance of tailored strategy since business management requires both a holistic and also a tailored strategy since every corporation has its own unique characteristics. Different characteristics create different risks, and these different risks require uniquely shaped approaches by managers.

Air transport has always been seen to have an inherently strategic role. It has obvious direct military applications, but it is also highly visible and—for a period, and in some countries still—was seen as a flag carrier, a symbol of international commercial presence. Air transportation is a key strategic asset in that it provides access to markets and thereby enables the economic development of nations and regions. But, the air transport industry is exposed to risk which may affect operations, customers, corporate value, security and safety. Risk can also be introduced to an enterprise through air transportation industry-based and organization-based changes each of which may also bring changes in the type of risk. These present heightened risks and that is the main reason for the growing importance of enterprise risk management implementation for the air transportation industry. The study begins with a definition of business, international business and multinational enterprises. Following, international business history, importance, characteristics, benefits and problems are explained. In Chap. 2, risk, risk management and enterprises risk management are explained and then focus of the chapter shifts to risks related to the airline industry in this study.

Chapter 2 presents the concept of resource dependency. We deal with this issue in view of business, management and strategy since resource allocation and use in international business do and will continue to create considerable sustainability risks.

The objective of this chapter was to extend the prior literature and examine the link between corporate management strategies in view of resource availability uncertainty with practices in the civil aviation business. The collection of data for the analyses of the hypotheses has been gathered by interviews that were held with high level executives from TAV Airport Holding: TAV companies' practices have been investigated to expose the relationship between resource dependence and risk management practices. It has been concluded in the research that resource dependence and theories of transaction costs, especially in managing the uncertainty of sourcing, are taken into account for development of the corporate risk strategies. This study attempted to obtain information about the practices in the sector using semi-structured interviews from the qualitative techniques. Also, interviews were conducted in a structured manner through a form with the senior managers of Sun Express Airlines and the Budapest Manager of Turkish Airlines and Fraport IC İçtaş Antalya Airport Terminal Investment and Management Inc. Therefore, both airport station management and airline management were in the scope of the study. An attempt to obtain the total original image with the leading representatives of the sector in the country and the perspective of enterprise risk management in the light of the hypotheses was also made. The findings proved that in order to achieve business strategies, corporations should find the optimum way to allocate scarce resources. The setting of resource dependency based strategies was found necessary for competitive differentiation and institutional sustainability. The study concluded that a manager's strategies may change according to resource uncertainty, resource availability and competitive qualifications.

Chapter 3 focuses on enterprise risk management vis-a-vis organizational culture focusing on strategic leadership. Enterprise risk management is not a kind of a one-time event. ERM may be thought of as a management philosophy, mentality and also a holistic system. As leading holistic management systems, enterprise risk management will both affect and shape the corporate culture and style of leadership and corporate strategy.

Strategy is about risk attitude, risk taking approach, risk culture, and risk appetite, among other things. For these reasons, in order to develop a strategy and achieve it, managers have to implement enterprise risk management as a shaped/individualized style.

Humans have a dual role in business and even in life. They are both sources and managers of risks as it is humans that create risks, and humans that manage risks. According to this reality, enterprise risk management considers organizational behavior theory as well as concepts borrowed from physicology and sociology.

According to EUROCONTROL, *Critical Incident Stress Management (CISM) is an integrated method which consists of several steps and helps the persons affected cope with their Critical Incident Stress (CIS) reactions thanks to direct and immediate intervention. In this way, it may be possible to decrease the probability of consequential disorders. CISM is a comprehensive, systematic and multi-component approach to the management of CIS.*

Chapter 4 presents research regarding the applicability of CISM in Turkey's aviation business. Stress has an effect on humans. Humans have an effect on business. Therefore, in order to manage, business managers have to manage their human resource especially in critical event times. This chapter gives detailed information about the concept of *Critical Incident Stress Management (CISM), its process, qualifications, etc.*

Chapter 5—through an empirical investigation—focuses on linkages between risk and human resources management in aviation. Strategy, in the global business environment, is tied to competitiveness. Human resource management is inextricably linked to other organizational management functions as contemporary organizations are in need of both competent and globally minded human resource talent. To achieve this aim, an organization must exercise care in creating both a strong and sustainable organizational culture. Furthermore, in aviation, risk exists in people, procedures, equipment, acts of nature, security and so on. The record of safety in the industry shows us that the human element in aviation presents the biggest risk for such reasons as attitude, motivation, perception, ability, awareness level, culture, discipline, ethic, and training to name a few. A corporate risk management based strategic approach helps organizations improve performance in both competitive and differentiation areas such as training and awareness, culture and attitudes, individual creativity, and developing innovative risk solutions. In seizing opportunities and minimizing operational losses, managers should integrate their strategy and human resource practices with risk management. We assume that considerable interrelations exist between corporate strategy, human resources management, organizational and national culture, values of individuals and risk management. These interrelations have the potential to affect corporate strategy. Risk management presents reasonable assurance to improve a corporation's talent management, competitive human resource management, and employer branding as well as to ensure effective ways of education and training, and recruit and retain high-performance workers at all levels.

Hasan Polatkan Airport in Eskisehir (previously known as Anadolu University Airport) has a unique and rare structure among airports in the world in that it is operated by a cooperation of government and university and its operations are international. The problem with this research is flexibility which is needed due to the university's autonomous structure and dynamic nature of the aviation industry, and conflicts with bureaucracy that have a dominant position within government. We will present our research which is designed through use of the Analytic Hierarchy Process (AHP) methodology in regard to personnel selection in Anadolu University Airport. An analytic hierarchy model has been created with the purpose of determining priority personnel selection criteria. The model has been analyzed and applied to a sample using the Analytic Hierarchy Process (AHP) which is a multi-criteria decision-making method. The Saaty Compliance Indicator has been used to understand how close estimated values obtained via AHP are to actual data. It is possible that the model developed can be generalized for the aviation industry. We aim to contribute to the management and strategy field by increasing awareness to the strategic human resource management together with this model.

Chapter 6 includes case studies from leading corporations in Turkey. We believe that readers will find them extremely interesting as they provide experiences from contemporary corporate practice. This chapter will provide examples of real practice and give a fresh perspective for business managers.

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Triant Flouris received his Ph.D. from the University of South Carolina. Prior to joining Hellenic American University, he was Dean for the School of Aviation Sciences at Daniel Webster College, Nashua, NH, USA and professor of aviation management. Dr. Flouris has served in various faculty and administrative positions (graduate program director, department chair, as well as research institute director) in universities in New Zealand, US and Canada and has extensive experience in strategic planning and higher education administration. He is the author of seven books, over two hundred refereed journal articles, book chapters, scholarly articles, and public reports. He is a certified professional pilot and flight instructor and holds concurrent appointments as research associate at the Mineta Transportation Institute, San Jose State University, California, as well as instructor for the International Air Transport Association. At Hellenic American University he is

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Chapter 1
Business and Strategy Via Integration of Enterprise Risk Management: Air Transportation Case Study

Abstract Business management requires both holistic and tailored strategy for every business since every corporation has its own unique characteristics and qualifications. Different qualifications create different risks, and different risks require customized approaches by managers. Air transport has always been seen as having an inherently strategic role. It has obvious direct military applications, but it is also highly visible and, for a period—and in some countries still—is viewed as a flag carrier, a symbol of international commercial presence. Air transportation is a key strategic asset in that it provides access to markets and thereby enables the economic development of nations and regions. However, the airline industry is exposed to risk which may affect operations, customers, corporate value, security, and safety. Risk can also be introduced to an enterprise through air transportation industry-based and organization-based changes, each of which may also bring changes in the type of risk. These present and emerging risks are the main reason for growing importance of enterprise risk management implementation in the airlines. The study begins with a definition of business, international business, and multinational enterprises. Following, international business history, its importance, characteristics, benefits, and problems are explained. In the second chapter, risk, risk management, and enterprise risk management are explained, followed by risks related to the airline industry in this study.

Keywords International business · Air transportation · Enterprises risk management

1.1 Introduction

Nowadays, the world is moving at a faster pace than ever before which affects many industries directly. To survive in this business world, firms should prepare for good strategies and seek possibilities in new markets. One of the popular strategies that firms are familiar with is international expansion. It has become a prominent strategy that is useful to the global economy for a large number of companies; in

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this highly competitive market, companies consider entering new countries to gain advantages from their rivals either to reduce cost, or as a strategy for boosting demand. Therefore, in order to ensure their survival, firms are urged to enter new international markets. However, those companies, which are internationally focused, need to understand that it is a complex process. There are many risks, so some minor mistakes may lead to significantly adverse results for multinational enterprises in the air transportation industry.

1.2 International Business

1.2.1 What Is the Business?

Business consists of all activities involved in the production and distribution of goods and services for profit to satisfy customer needs and wants. We should take definitions in parts. According to Mirze (2002), in modern societies,

– Business is related with delivering goods or services to the community.
– Business is a medium to earn money to make one's living society.
– Business includes managing resources.
– Business can be conducted for basic purposes: to make a profit, to make money.
– Business can be conducted solely to serve the public without thinking about profit and making money.

Every business engages in at least three major activities. The first activity, production, involves making a product or providing services. The second activity that business is involved in is marketing. Marketing deals with how goods or services are exchanged between producers and consumers. The third activity, finance, deals with all money matters related to running a business (Everard & Burrow, 1996).

1.2.2 History of International Business

The origin of international business goes back to human civilization. Historically, periods of greater openness to trade have been chastised by stronger but lopsided global growth, well before the time of Phoenician and Greek merchants were sending representatives abroad to sell their goods. In 1600, the British East Indıa Company, a newly formed trading firm, established foreign branches throughout Asia. At about the same time, a number of Dutch companies, which had organized in 1590 to open shipping routes to the East, joined together to form the Dutch East India Company and also opened branch offices in Asia (Ball, Wendell, & McCulloch, 1993).

From about 1500–1900, many European countries established colonies in Africa, Asia, and North and South America. These colonies eventually achieved independence. For example, the United States declared independence from the United Kingdom in 1776. Various inventions created between 1769 and 1915 expanded interests in and opportunities for international business. These discoveries included the cotton gin, steam engine, and the telephone. The inventions from this period improved communication, distribution, and production, and helped to create new global industries (Dlabay & Scoot, 2001).

The concept of international business—a broader concept relating to the integration of economies and societies, dates back to the nineteenth century. The first phase of globalization began around 1870 and ended with World War I (1914) driven by the industrial revolution in the UK, Germany, and the USA. The import of raw material by colonial empires from their colonies and exporting finished goods to their overseas possessions was the main reason for the sharp increase in the trade during this phase. The ratio of trade to GDP was as high as 22.1 in 1913. Later, various governments initiated and imposed a number of barriers to trade to protect their domestic production that led to decline in the ratio of trade to GDP to 9.1 during the 1930s. The international trade between two world wars has been described as "a vast game of beggar-my-neighbor". Advanced countries experienced severe setbacks as a result of the imposition of trade barriers, as they produced in excess of domestic demand and experienced a decline in the volume of international trade. In addition, the breakdown of the gold standard resulted in a vacuum in the field of international trade. Recent world events continue to highlight the importance of international business.

Expanded trade among companies in different countries increases interdependence. A number of wars in the twentieth century showed the need for political cooperation. These military conflicts limited global business activities (Dlabay & Scoot, 2001).

World nations felt the need for international cooperation in global trade and balance of payments affairs. These efforts resulted in the establishment of the International Monetary Fund (IMF) and International Bank for Reconstruction and Development (IBRD—popularly known as the World Bank). The prolonged recession before World War II in the west led to an international consensus after World War II that a different approach toward international trade was required. Consequently, 23 countries conducted negotiations in 1947 in order to prevent further protectionist policies and to revive the economies from recession aiming at the establishment of the International Trade Organization. This attempt by the advanced countries ended with the General Agreement on Trade and Tariffs (GATT) that provided a framework for a series of "rounds" of negotiations by which tariffs were reduced. Efforts to convert the GATT into the World Trade Organization (WTO) intensified during the 1980s and ultimately, the WTO replaced GATT in January 1995, envisaging trade liberalizations. The efforts of THE IMF, World Bank, and WTO along with the efforts of individual countries due to economic limitations of the closed economies led to the globalization of business. Globalization boosted international business particularly during the 1990s. In fact, the term international business was not popular before two decades. The term international business has emerged from the term “international marketing”, which, in turn, emerged from the term “international trade”. The multinational companies, which were producing the products in their home countries and marketing them in various foreign countries before the 1980s, started locating their plants and other manufacturing facilities in foreign host countries. Later, they started producing in one foreign country and marketing in other foreign countries.

In the 1990s, the collapse of communism and the industrialization of developing markets led to significant increases in global commerce. The internationalization of North American, Western European, and Japanese firms had contributed to an upsurge of commercial activities in developing world markets. As the new millennium got underway, companies from developing and transition economies were internationalizing and heightening competition in the world marketplace (Hill, 2009). Thus, the scope of the international trade expanded into international marketing, and international marketing expanded into international business.

1.2.3 What Is the International Business?

International business is a term used to collectively describe all commercial transactions, for example, private and governmental, sales investments, logistics, and transportation that take place between two or more regions, countries, and nations beyond their political boundary (Cavusgil, Knight, Reisenberger, Rammal, & ve Rose, 2015).

International business is the study of transaction taking place across national borders, for the purpose of satisfying the needs of individual and organizations. These economic transactions consist of trade, as in the case of exporting and importing, and foreign direct investment, as in the case of companies investing funds to up operations in other countries (Woods, 2001).

International business research fields cover different perspectives from different disciplines such as management, business, psychology, and political science (Güneş, 2012). Global growth in international trade and foreign direct investment in the 1980s and 1990s had motivated the international business research (Shenkar, 2004). The international business research assessment literature, while interesting, seldom addresses the quality difference among articles across different journals and within individual journals (Xu, Poon, & Chan, 2014).

International business relates to any situation where the production or distribution of goods or services crosses country borders. These exchanges can go beyond the exchange of money for physical goods to include international transfers of other resources, such as people, intellectual property (patents, copyrights, brand trademarks, and data), and contractual assets or liabilities (the right to use some foreign asset, provide some future service to foreign customers, or execute a complex financial instrument) (www.saylor.org/books, 2015).

Business internationalization remains a controversial subject. For some authors, internationalization is not an indicator of globalization, but rather an expression of regionalization (Schmid & Kotulla, 2011).

The field of modern international business began to develop in the 1950s. At this time, there was not a great number of international businesses. American professors often wrote early international business textbooks. There were few international research studies to provide substantive information. During the1970s and 1980s, the field of international business changed greatly. The economic growth of Europe and Japan, coupled with great strides by newly industrialized countries, resulted in more and more attention focused on international business (Rugman & Hodgetts, 2003). Some features of international business include the following:

- International business involves the exchange of goods and/or services across or within national boundaries between two or more social actions in different countries for commercial reasons (Vaghefi, Paulson, & Tomlinson, 1991).
- International business is an exchange process involving relationships, inputs, and outputs, between social actions located in different countries (Vaghefi et al., 1991).
- International business may be influenced by noncommercial consideration (Vaghefi et al., 1991).

No simple or universally accepted definition exists for the term international business. Indeed, one can find a number of definitions in the business literature. At one end of the definitional spectrum, international business is defined as organizations that buy and sell/or sell goods and services across two or more national boundaries, even if management is located in a single country (Fayerweather, 1969).

In its purest definition, international business is described as any business activity that crosses national boundaries. The entities involved in business can be private, governmental, or a mixture of the two. International business can be broken down into four types: foreign trade, trade in services, portfolio investments, and direct investments (Ajami, Cool, & Goddard, 2006).

International business consists of business transactions between parties from more than one county. Examples of international business transactions include buying materials in one country and shipping them to another for processing or assembly; shipping finished products from one country to another for retail sale; building a flat in a foreign country to capitalize on lower labor costs; or borrowing money from a bank in one country to finance operations in another (Griffin & Pustsy, 2003).

International business is all commercial transactions—private and governmental —between two or more countries. Private companies undertake such transactions for profit; governments may or may not do the same in their transactions. These transactions include sales, investments, and transportation (Venkateswaran, 2012).

International business includes all business transactions that involve two or more countries. Such business relationships may be private or governmental. In the case of private firms, the transactions are for profit. Government-sponsored activities in the international business may or may not have a profit orientation.

1.2.3.1 Globalization

Globalization means "integrating" the economy of a country with the world economy. This implies free flow of goods and services, capital, technology, and labor across national boundaries. Globalization brought about the internationalization of business activity, particularly during the twentieth century. Only 100 years ago, the individual nation-state was still the focal point of production and marketing for the vast majority of industries. Now, there are enormous changes in technology, culture, science, trade, and many other fields (Wild, Wild, & Han, 2000).

The word global means "spread throughout the world". Globalization means the companies, the regions, the nations, and the continents are struggling to attract business investments. The term globalization means that the phenomenon of evolutionary transition to a new stage of contemporary society in terms of the economic system, socio-political, or cultural. In the other words, globalization means unlimited competition, access, and progress by eroding dysfunctional boundaries between nations, cultures, and organizations and between the public and the private domains (Faria & Guedes, 2009).

1.2.4 Importance of International Business

In the global economy, products have to compete with similar products made anywhere else. Different things are produced in different places. Customers are demanding better products, improved services, and lower prices, and the way to compete is through quality, convenience, and fair prices for the value received. Global competition means that customers have a better choice of products and lower prices; management's goal must be customer satisfaction. International business provides the greatest opportunity for every nation. It provides for more investment, increased number of joint ventures, and eventually an increase in the standard of living (Ivancevich & Duening, 2004).

There are some relevant concepts of international business: international management, international company and multinational company, global company, transnational corporation, and supranational corporation.

- **International Management**

International management research aims to identify how cultural differences influence companies (Soares & Fahangmehr, 2007). Recognizing cultural influence is only superficial, however, because this recognition is insufficient to explain how cultural differences actually influence company management (Thomas, 2008). It is required to search management from the subjective perspectives of culture-based leadership styles, of the ethical dimensions of power in organizational settings, of the effects of technology on organizational cultures, and the implications for employment policies and practices of workplace diversity (Christopher, 2012).

- **International Company**

International business encompasses a full range of cross-border exchanges of goods, services, or resources between two or more nations.

- **Multinational Company**

Multinational firms arise because capital is much more mobile than labor. Since cheap labor and raw material inputs are located in other countries, multinational firms establish subsidiaries there. They are often criticized as being runaway corporations (Blajut, 2015).

- **Global Company**

A global organization is a centralized hub, a structural configuration based on group-oriented behavior requiring intensive communication and complex system of personal interdependencies and commitments (Azevedo & Bertrand, 2000).

- **Transnational Corporation**

A transnational corporation is any enterprise that undertakes foreign direct investment, owns or controls income-gathering assets in more than one country, produces goods or services outside its country of origin, or engages in international production (Kobrin, 2008).

- **Supranational Corporation**

A supranational corporation can exercise a whole range of rulemaking, adjudication, and enforcement powers with a comparatively high degree of independence from intergovernmental or national control, at least within the scope of authority delegated to the supranational level (Lindseth, 2015).

As a result, international business strategies have become increasingly more relevant and important as once isolated companies may connect (or fail to connect) with other companies and cultures (Ramamurti, 2004; Rugman & Verbeke, 2004).

1.2.5 What Is the Multinational Enterprises?

Multinational enterprises have become well recognized as a key feature of the changing international business. Multinational enterprises' definitions emphasize structural criteria such as the number of countries in which a firm is doing business, or ownership by persons from many nations or the national composition of top management (Cummings &Warren, 1983). The multinational corporation is a business organization whose activities are located in more than two countries and is the organizational form that defines foreign direct investment (Lazarus, 2001).

Multinational enterprises are one of the several organizations that engage in international business. In particular, it has two near relations—the first is the international trading firm, in which it exchanges goods and services across national boundaries, but unlike which it transacts these internally before or after adding value to them from assets it owns or controls in a foreign country. Second, like a domestic multi-activity or diversified firm, it engages in multiple economic activities (Duning & Lundan, 2008). A multinational enterprise is a single enterprise composed of a number of affiliated business establishments, each functioning simultaneously in different countries, and typically characterized control and decentralized decision-making, resulting in a kind of "unity in diversity" (Wallace, 2002).

Multinational enterprises are also referred to the terms multinational corporations, multinational firm, multinational enterprise, world business, global firm, transnational firm, and international company (Özalp, 2005).

1.2.5.1 National Business Environment

The business environment covers whatever external environment affects the returns and risks faced by investors. This general definition includes three broad categories. The first category covers macroeconomic aspects such as fiscal, monetary, and an exchange rate policy, which clearly affects investors' returns high tax rates, for example, would lower return, while inflation would increase variability of returns (Colin Xu, 2010).

The second category includes governance, institutions, and political stability. Take, for instance, rule of law, which affects investors' decisions about how much to invest and what organizational form to take. Institutions also include informal ones, such as the general level of trust, social capital, and social network which would facilitate new transaction relationships and, therefore, firm expansion (Colin Xu, 2010).

The final category includes infrastructure necessary for productive investment, such as transportation, electricity, and communications (Colin Xu, 2010).

1.2.5.2 Types of Business Environment

- Internal Environment
- External Environment

– Micro Environment

Suppliers
Customers
Market Intermediaries
Competitors public

– Macro Environment

Technological environment
Legal environment
Economic Environment
Political Environment
Social and Cultural Environment
Natural Environment
Global Environment (Jain, Trehan, & Trehan, 2008).

Microenvironment: The microenvironment or task environment comprises those forces in the immediate vicinity of an organization that influences its functioning (Pindiche, 2013).

Macro Environment: The macro environment has major external and uncontrollable factors that influence an organization's decision-making, and affects its performance and strategies.

1.2.5.3 Benefits of Understanding the Environment

According to UGC (2009), there are some benefits of understanding the environment. First, Mover Advantage: Early identification of opportunities helps an enterprise to be the first to exploit them instead of losing them to competitors.

Customer Focus: Environmental understanding provides enough information regarding the need and expectation of the customer and helps business organizations focus on their customers.

Strategy Formulation: Keeping an eye on the environment provides relevant information to the organization in the formulation of strategy.

Early Warning Signal: It makes a firm aware of the impending threat or crises, so that the firm can take timely action to minimize the adverse effects.

Public Image: A business firm can improve its image by showing that it is sensitive to its environment and responsive to the aspiration of public.

Continuous Learning: Enterprises that continuously monitor their environment and adopt suitable business practices not only improve their present performance, but also succeed in the market for a longer period.

According to various business studies, understanding the environment within which a business has to operate is very important for running a business unit successfully regardless of its location. Because environmental factors influence almost every aspect of business, be it its nature, its location, the prices of products, the distribution system, or the personnel policies, the success of every business depends on adapting itself to the environment within which it functions. For example, when there is a change in government policies, the business has to make the necessary changes to adapt itself to the new policies.

1.2.5.4 Features of Business Environment

- Business environment is the sum total of all factors external to the business firm that greatly influence their functioning.
- It covers factors and forces like customers, competitors, suppliers, government, and the social, cultural, political, technological, and legal conditions.
- The business environment is dynamic in nature, meaning, it keeps on changing.
- The changes in a business environment are unpredictable. It is very difficult to predict the exact nature of future happenings and the changes in economic and social environment.
- Business Environment differs from place to place, region to region, and country to country. Political conditions in India differ from those in Pakistan. Taste and values cherished by people in India and China vary considerably (Christopher, 2012).

According to Chandra, some differences exist between national and international business as the following concept:

- Scope
- Benefits
- Market fluctuations
- Modes of entry
- Purvey
- Sharing of technology
- Political relations

1.2.5.5 International Business Environment

There is a close and continuous interaction between the business and its environment. This interaction helps in strengthening the business firm and using its resources more effectively. The following statements show the importance of business environment.

- Determining Opportunities and Threats: The interaction between the business and its environment would identify opportunities for and threats to the business. It helps business enterprises meet the challenges successfully.

- Giving Direction for Growth: The interaction with the environment leads to opening up new frontiers of growth for the business firms. It enables the business to identify the areas for growth and expansion of their activities.
- Continuous Learning: Environmental analysis makes the managers' task easier in dealing with business challenges. Managers are motivated to continuously update their knowledge, understanding, and skills to meet the predicted changes in realm of business.
- Image Building: Environmental understanding helps business organizations improve their image by showing their sensitivity to the environment within which they are working. For example, in view of the shortage of power, many companies have set up Captive Power Plants (CPP) in their factories to meet their own requirement of power.
- Meeting Competition: It helps firms to analyze competitors' strategies and formulate their own strategies accordingly.
- Identifying a Firm's Strength and Weakness: Business environment helps to identify individual strengths and weaknesses in view of the technological and global developments.[1]

There are some complications in the global business environment:

- Environment is complex, dynamic, and highly competitive.
- Global business executives must deal with differences in the environment of business in different countries.
- The World Trade Organization resolves trade and tariff disputes among countries.
- Protectionism can complicate global trading relationships (Wiley & Canada, 2007).

Global Business Terms

- In terms of business and management, strategic decisions for firms affect long-term performance and survival. In light of a global economy and growing competition, domestic firms are affected by global market forces and can no longer act solely within domestic constraints. Thus, they cannot ignore the actions of other firms across national borders (Chibba, 2012).

The Global Business Environment

Global competition is characterized by networks that bind countries to one another.

1. Globalism trends
2. A borderless world
3. Increase in exports

[1]Business Studies, Business Around us. doi: 10.01.2016 from https://www.academia.edu/10426875/MODULE_-3_Business_Around_Us_Notes.

4. Increase in direct foreign investment
5. Dominance of trading blocks[2]

- **Technological environment**

Technology is a double-edged sword for the environment: it can amplify as well as alleviate the impacts of human activities. The role of technology was largely ignored in the first round of global modeling efforts in the early 1970s, but it has recently moved to the forefront of both science and policy in addressing climate change (Grübler, Nakicenovic, & Nordhaus, 2002). The important factors operating in the technological environment are as follows:

– Sources of technology like company sources, external and foreign sources, cost of technology acquisition, collaboration in, and transfer of technology;
– Technological development, stages of development, rate of change of technology, and research and development;
– Impact of technology on human beings, the man–machine system, and the environmental effects of technology;
– Communication and infrastructure technology and technology in management (Chand, 2014).

- **Economic Environment**

The economic environment of business has reference to the broad characteristics of the economic system in which the business firm operates. The present-day economic environment of business is a mixture of national and international environments. The existing economic environment of business is highly complex and not easy to comprehend. It is the reason firms operating in the same economic environment often make different decisions.

– **Economics**

Economic development is of significance to almost all economies. Economic development is necessary for under-developed countries because they can solve the problems of general poverty, unemployment, backwardness, and low standard of living through it. On the other hand, economic development is equally significant to developed economies as it helps them to maintain their existing growth rate (Jain & Ohri, et al., 2007).

– **Economics and Decision-Making**

Regardless of the form of organization or the business activity, success in the world of business—sometimes even survival—depends on making wise economic decisions. A key ingredient is an understanding of the decision-making process

[2]See Footnote 1.

itself. Because economic decision-making relies heavily on accounting information, it is crucial for that information to be useful to economic decision-makers.[3]

- **Political Environment**

This includes the political system, government policies, and attitude toward the business community, and unionism. All these aspects have a bearing on the strategies adopted by business firms. The stability of a government also influences business and related activities to a great extent. It sends a signal of strength and confidence to various interest groups and investors. Further, ideology of the political party also influences the business organization and its operations.[4]

- **Social and Cultural Environment**

The social environment of a business consists of the class structure and mobility, social roles, nature of the social organization, and development of social institution. Basically, class structure within society depends upon the occupation of people and their income levels.

- **Natural Environment**

The natural environment consists of both the geographical environment and ecological environment. Geographical considerations influence and determine the number of business decisions. Tea and coffee cultivators are preferred to be located in hill regions, where the climate is suitable for cultivating the crops. People tend to have similar tastes in a particular geographical region; thus, the product very much consumed by South Indian people may not find buyers in northern India, because of regional difference.

The economic condition of a country, for example, level of income, distribution of income and assets, economic resources, and stages of development are among the very important determinants of business strategies.

Economic conditions are those forces in the economy, such as consumer buying power, consumer spending behavior, and the business cycle, that influence organizations' abilities to compete, and consumers' willingness and ability to purchase goods and services.

International Business Management

International business as a field of study and practice encompasses that public and private business activity affecting the persons or institutions of more than one national state, territory, or colony (Dewan & Sudarshan, 1996).

According to Shenkar (2004), there are forms and opportunities of international business. Reasons for engaging in international business are profits, customers, suppliers, capital, and labor. Companies want to entry new markets because

[3]Economic Decision Making, doi: 13.01.2016 from http://www.pearsoned.ca/highered/divisions/virtual_tours/jones-fa/jones_finac_ce_ch02.pdf.

[4]See Footnote 1.

- Of a rapid increase in technology,
- Transportation is quicker while costs are lower,
- Communication enables control from afar,
- Of liberal government policies on trade and resources,
- Of development of institutions that support international trade,
- Of consumer pressures, and
- Of increased global competition.

Market entry strategies involve the sale of goods or services to foreign markets but do not require expensive investments. Types of market entry strategies are as follows:

- Global sourcing
- Exporting
- Importing
- Licensing agreement
- Franchising (Sjolander, 2004).

International Human Resources Management

International human resources management means a global, interdisciplinary, and professional approach of the personnel matter within an organization (Muscalu & Muntean, 2014).

Human resources management has two main forms of existence. One is in the form of academic discourse and activity—this finds expression in conferences, journals, books, courses in business schools, and so on. The other is in the form of practice in organizations that employ people and thus have employment relationships.

There is a new concept of human resources management, which is knowledge management. Knowledge management is one of the most quickly developing concepts of management. It is the effect of the orientation on knowledge in management and of the era of business based on knowledge. Nowadays, knowledge has become a key resource of the organization. It is a basic element of people competencies and a basic element of human capital (Lendzion, 2015). Therefore, the service of human resources management is considered a key strategy in the development of most companies (Feodor, Kolesnikova, & Eldar, 2014).

Both knowledge management and human resources management have a common part. In the case of knowledge management, it is a part connected with human resources management and in human resources management—treating people as a capital. Knowledge management answers to some extent a question of how to manage human resources in order to make employees the driving force of the company's development. It is a chance to increase the effectiveness of human resources management in a company as it satisfies the staff need of self-realization. That is why employees are more motivated to work, and as such, it is possible to better recruit, choose, train, and improve the members of the organizations (Lendzion, 2015).

1.2.5.6 Facilitator of the Global Economy and Interconnectedness

International business is transforming the world as never before. The decade following the establishment of the General Agreement on Tariff and Trade (GATT) in 1947 witnessed unprecedented growth in international trade and investment. Companies focused more and more on the mass production of products and services to meet insatiable world demand.

Since the 1980s, emerging markets provided new impetus to worldwide economic interconnectedness. These fast-growth developing economies—some two dozen countries including Brazil, India, and Poland—are experiencing substantial market liberalization, privatization, and industrialization, which are fueling global economic transformation. These emerging markets, located on every continent, are gradually breaking away from the stagnation typical of developing economies. Collectively, the emerging markets are home to the largest proportion of world population and participate increasingly in foreign trade. Such emerging markets include Argentina, Hungary, and Mexico.

Along with market globalization—another megatrend—advances in technology have also served to transform the global economy. The rise of information has dramatically reduced the cost of conducting business with customers located abroad. The Internet and e-commerce make international business increasingly imperative for firms of all sizes and resource levels. Technological advances both facilitate and are facilitated by globalization, allowing globalization to progress more rapidly. Globalization, in turn, accelerates the development of the latest technologies (Çavuşgil, 2012).

1.2.5.7 Contributor to National Economic Well-Being

International business contributes to economic prosperity and standards of living, provides interconnectedness to the world economy and access to a range of valuable intermediate and finished products and service, and helps countries use their resources more efficiently. Consequently, governments have become more willing to open their borders to foreign trade and investment.

There is a strong relationship between a nation's level of prosperity and its participation in cross-border trade and investment. International business is both a cause and a result of increasing national prosperity, helping to spread national prosperity and abundance beyond advanced economies into developing economies. Nations once suffering from economic stagnations are now increasingly prosperous.

International trade and investment can also help reduce poor economic conditions in developing economies. The rapid economic growth of emerging countries stimulates solid gains in living standards. Growing prosperity is accompanied by gains in literacy rate, nutrition, and health care. Trade and investment help to promote freedom and democracy and may reduce the likelihood of cross-border conflict. International business can help to limit such tension, by reducing world poverty and increasing interactions that help soothe relations among nations (Business Week, 2003).

1.2.5.8 A Competitive Advantage for the Firm

To sustain a competitive advantage in the global economy, firms must readily participate in cross-border business and acquire the necessary skills, knowledge, and competence. In additions, firms can maximize the efficiency of their operations through international business.

International business also allows firms to access critical resources that may be unavailable at home. It helps firms reduce the costs of new product development, after-sales services, and other critical business activities (Çavuşgil, 2012).

1.2.5.9 An Opportunity for Global Corporate Citizenship

As firms increasingly venture into international markets, they need to learn how to become global citizens. Beyond delivering value-added products, technology, and other benefits to their customers, they need to be responsive to the needs of other stakeholder groups, including the media, local communities, academics, and the nonprofit sector. In foreign markets, firms must try in earnest to meet local expectations with respect to labor and environmental standards, accepted codes of conduct, and the overall welfare of the society that hosts them. As a business operating in a host society, internationalizing firms is always under public scrutiny (Çavuşgil, 2012).

1.2.6 Goals of International Business

When operating internationally, a company should consider its mission (what it will seek to do and become over the long term), objectives (specific performance targets to fulfill its mission), and strategy (the means to fulfill its objectives). Seven major objectives may influence companies to engage in international business (Venkateswaran, 2012).

1.2.6.1 Expand Sales

Company sales are dependent on two factors: the consumers' interest in their products or services and the consumers' willingness and ability to buy them. The number of people and the amount of their purchasing power are higher for the world as a whole than for a single country, so companies may increase their sales by reaching international business. Ordinarily, higher sales mean higher profits, assuming each unit sold has the same markup. For example, Star Wars cost millions of dollars to produce, but as more people view the films, the average production cost per viewer decreases. Therefore, increasing the sales will be a major motive for the company's expansion into international business. Many of the world's largest companies derive over half their sales from outside their home country. However, smaller companies also may depend on foreign sales. Many small companies also depend on sales of components to large companies, which in turn put them in finished products that they sell abroad (Venkateswaran, 2012).

Importing Procedures

Importation means bringing goods into countries from any country for personal or commercial reasons.[5]

Exporting Procedures

In the context of this guide, exportation means sending goods from X country to another country. Export is one of a number of customs procedures for dealing with goods. Each such procedure has its own rules and those seeking to use a procedure must formally make a declaration to Revenue for that purpose.

There are three specific types of export:

Direct exports: goods leave a country directly for their destination outside the country;

Indirect exports: goods leave a country, travel to one or more other Member State(s) and leave from there for their destination outside the country; and

Exports made on the basis of a single transport contract: although goods leave a country and travel to one or more other Member State(s)—from which they leave for their destination outside the country (in the same way as indirect exports)—they are treated as if they are direct exports, and all customs formalities are completed in the country at the request of the declarant.[6]

1.2.6.2 Acquire Resources

Manufacturers and distributors seek out products, services, and components produced in foreign countries. They also look for foreign capital, technologies, and information they can use at home. Acquiring resources may enable a company to improve its product quality and differentiate itself from competitors—in both cases, potentially increasing market share and profits. Although a company may initially

[5]A guide to customs import procedures. (2015). doi: 12.01.2016. from http://webcache.googleusercontent.com/search?q=cache:9zHrykWbwWoJ:www.revenue.ie/en/customs/leaflets/import-procedures-guide.pdf+&cd=4&hl=tr&ct=clnk&gl=tr.

[6]A guide to customs export procedures. (2015). doi:12.01.2016 from http://webcache.googleusercontent.com/search?q=cache:QtWmvBi0CsUJ:www.revenue.ie/en/customs/leaflets/export-procedures-guide.pdf+&cd=3&hl=tr&ct=clnk&gl=tr.

use domestic resources to expand abroad, once the foreign operations are in place, the foreign earnings may then serve as resources for domestic operations.

1.2.6.3 Diversify Sources of Sales and Supplies

To minimize swings in sales and profits, companies may seek out foreign markets to take advantage of business cycle—recessions and expansions—differences among countries. Sales decrease in a country that is in a recession and increase in one that is expanding economically. By obtaining supplies of the same product or component from different countries, companies may be able to avoid the full impact of price swings or shortages in any one country (Venkateswaran, 2012).

1.2.6.4 Minimize Competitive Risk

Many companies enter into international business for defensive reasons. They want to counter advantages competitors might gain in foreign markets that, in turn, could hurt them domestically. For example, Company A and Company B compete in the same domestic market. Company A may fear that Company B will generate large profits from a foreign market if left alone to serve that market. Company B may then use those profits in various ways (such as additional advertising or development of improved products) to improve its competitive position in the domestic market. Companies harboring such a fear may enter foreign markets primarily to prevent a competitor from gaining advantages (Venkateswaran, 2012).

1.2.6.5 Profit Advantage

International business provides more profit advantage as it is more profitable than domestic business. When we examine the average unit cost of production, we may find that the average cost of production per unit will be lowest if the plant operates at optimum capacity. The relative rate of profit per unit will increase when the total profit from domestic business increases (Venkateswaran, 2012).

1.2.6.6 Growth Opportunities

In most foreign markets, there exist vast growth prospects to attract foreign companies. In many countries, both the population and income increase rapidly even though the market for several goods in many domestic markets is not very substantial at present. Thus, many companies/countries are eager to establish a foothold in a foreign market considering their future potential in mind (Venkateswaran, 2012).

1.2.7 Characteristic Features of International Business

1.2.7.1 Accurate Information

International business needs accurate information to make an appropriate decision. Europe for example was the most opportunity positive market for leather goods and particularly for shoes. Accurate data could allow for more precise decisions to enter various European markets (Rao, 2010).

1.2.7.2 Payment in Foreign Currency

In international business, payment is made in foreign currency. Here, different currencies of different countries are involved (Rasel, 2014).

1.2.7.3 Timely Information

International business needs not only accurate, but also timely information. Coca-Cola was able to enter the European market based on the timely information, whereas Pepsi entered later. Another example is the timely entrance of Indian software companies into the US market compared to those of other countries. Indian software companies also made timely decision in the case of Europe (Rao, 2010).

1.2.7.4 Idea About International Rules

People in international business should have a clear idea of international rules and the mechanism to exchange one currency for another (Rasel, 2014).

1.2.7.5 Size of the Business

The size of the international business should be large in order to have an impact on foreign economies. Most multinational companies are significantly large in size; in fact, the capital of some of the MNCs is greater than our annual budget and GDPs of some African countries (Rao, 2010).

1.2.7.6 Intense Competition

In the case of international business, the competition is intense. Producers from many countries compete with one another to sell their products. Here the quality, design, packing, price, advertisement, etc., all play a very important role in decision-making (Rasel, 2014).

1.2.7.7 Market Segmentation

Most of the international business houses segment their markets based on the geographic market segmentation. Daewoo segmented its market as North America, Europe, Africa, the Indian subcontinent, and Pacific markets (Rao, 2010).

1.2.7.8 Large Number of Middlemen

Export and import procedures are too complicated and involve a large number of intermediaries. They render their services for the easy development and expansion of international business (Rasel, 2014).

1.2.7.9 Wider Scope

Foreign trade refers to the flow of goods across national political borders. Therefore, it refers to exporting and importing by international marketing companies plus the creation of demand, promotion, pricing, etc. As stated earlier, international business is much broader in its scope. It involves international marketing, international investments, and management of foreign exchange, procuring international finance from IMF, IBRD, IFC, IDA, etc., management of international human resources, management of cultural diversity, international marketing, management of international production and logistics, international strategic management, and the like. Thus, international business is broader in scope and covers all aspects of the system (Rao, 2010).

1.2.7.10 Intercountry Comparative Study

International business studies the business opportunities, threats, consumers' preferences, and behavior, cultures of the societies, employees, and business environmental factors, manufacturing locations, management styles, inputs, and human resource management practices in various countries. International business seeks to identify, classify, and interpret the similarities and differences among the systems used to anticipate demand and market products. The system presents intercountry comparison and intercontinental comparison. Comparative analysis helps management to evaluate the markets, finances, human resources, consumers, etc. of various countries. The comparative study also helps management to evaluate the market potentials of various countries (Rao, 2010).

1.2.8 Benefit of International Business

International business is opening doors to new entrepreneurial opportunity across the globe. It is also providing a country's people with a greater choice of goods and services. On the other hand, international business is an important engine for job creation in many countries (Wild, 2012). According to Venkateswaran (2012), there are some benefits of international business.

- Faster Growth: Firms that operate internationally tend to develop at a much quicker pace than those operating locally.
- Access to Cheaper Inputs: Operating internationally may enable the firm to source raw materials or labor at lower prices.
- Increased Quality and Efficiency: Exposure to foreign competition will encourage increased efficiency. Doing business in the international market allows firms to improve the quality of their product in order to gain a competitive advantage.
- New Market Opportunities: International business presents firms with new market opportunities. These new markets provide more opportunities for expansion, growth, and income. A bigger market means more customers, increased revenue, a larger profit margin, and allows the business to realize economies of scale.
- Diversification: As the firm diversifies its market, it becomes less vulnerable to changes in local demand. This reduces wild swings in a company's sales and profits.

1.2.9 Problems of International Business

1.2.9.1 Political Factors

Political instability is the major factor that discourages the spread of international business. For example, in the Iran–Iraq war, Iraq–Kuwait war, dismantling of erstwhile USSR, Civil War in Fiji, Malaysia, and Sri Lanka, military coups in Pakistan, Afghanistan, frequent changes in political parties in power and thereby changes in government policies in India, etc., created political risks for the growth of international business. In addition, the latest Indo-Pak summit in Agra in July 2001 ended in a no-compromise situation, which affected international business. However, the business people from India and Pakistan are planning to develop trade links between the countries (Rao, 2010).

1.2.9.2 Huge Foreign Indebtedness

Developing countries with less purchasing power, for example, Mexico, Brazil, Poland, Romania, Kenya, Congo, and Indonesia, are lured into a debt trap due to the operations of MNCs in these countries. Exchange instability—characterized by imbalances in the balance of payments, political instability, and foreign indebtedness—leads to instability in international exchange rates. For example, Zambia, India, Pakistan, and the Philippines depreciated their currencies many times. This factor discourages the growth of international business in countries with strict entry requirements—domestic governments impose entry requirements to multinationals. For example, an MNC can enter Eritrea only through a joint venture with a domestic company (Rao, 2010).

1.2.9.3 Trade Barriers

Governments of various countries impose tariffs, import and export quotas, and trade barriers in order to protect domestic business. Further, these barriers are imposed based on the political and diplomatic relations between or among governments (Rao, 2010). While barriers have been significantly reduced, the General Agreement on Tariffs and Trade regime debate continuous on whether similar progress has been made with non-tariff barriers that are by definition much more difficult to measure (Shenkar & Luo, 2004).

1.2.9.4 Corruption

Corruption has become an international phenomenon. The higher rate bribes and kickbacks discourage foreign investors to expand their operations (Rao, 2010). For instance, firms from countries with anti-bribing legislation such as the United States may refrain from doing business in a country where bribes are expected. Exporters may also refrain from selling in markets where intellectual property is not respected. For example, many U.S. publishers avoid selling books to Chinese customers fearing that the books will be copied and eventually sold in bootlegged editions (Shenkar & Luo, 2004).

1.2.9.5 High Cost

Internationalizing a domestic business involves market survey, product improvement, quality upgrade, managerial efficiency, and the like. These activities need larger investments and involve higher cost and risk. Hence, most of the business houses refrain themselves from internationalizing their business (Rao, 2010).

1.2.10 The Need for International Business

International business is exciting because it combines the science and the art of business with many other disciplines such as economics, anthropology, geography, history, language, jurisprudence, statistics, and demography. International business is important and necessary because economic isolationism has become impossible. Failure to become a part of the global market assures a nation of declining economic influence and a deteriorating standard of living for its citizens. Successful participation in international business, however, holds the promise of improved quality of life and a better society, even leading, some believe, to a more peaceful world (Czinkota, Ronkainen, & Monfet, 2008).

International business is different from domestic business which confines its activities to the domestic market, in that international business make decisions based on what is best for all companies, even if this means transferring jobs to other countries and cutting back the local workforce. The number of employees that work in international businesses is large. As a result, there is a great deal of economic interaction in the international arena, giving business firms headquartered in one country a significant impact on the economies of another country (Rugman & Hodgetts, 2003).

Technology continues to increase the reach and the ease of conducting international business, pointing to even larger growth potential in the future. A combination of domestic and international business, therefore, presents more opportunities for expansion, growth, and income than domestic business alone. International business causes the flow of ideas, services, and capital across the world. As a result, innovations can be developed and disseminated more rapidly, human capital can be better used, and financing can more quickly take place. International business also offers consumers new choices. It can take permit the acquisition of a wider variety of products, both in terms of quantity and quality, and do so at reduced prices through international competition. International business facilitates the mobility of factors of production—except land—and provides challenging employment opportunities to individuals with professional and entrepreneurial skills. At the same time, international business reallocates resources, makes preferential choices, and shifts activities on a global level. It also opens up markets to competitions, which, in many instances, has been an unexpected and is difficult to cope with.

International firms and their managers, as well as the consumers of international products and services, need to understand how to make globalization work for them, as well as think about how to ensure that these benefits are afforded to a wide variety of people and countries. Therefore, both as an opportunity and as a challenge, international business is of vital concern to countries, companies, and individuals (Czinkota et al., 2008).

Multinational Cooperation and Features

A multinational corporation (MNC) is a business with extensive international operations in more than one foreign country (Wiley & Canada, 2007). There are some mutual benefits between MNC and host countries, such as shared opportunities with potential for growth, income, learning, and development. Host country complaints about MNCs include excessive profits, domination of local economy, interference with local government, hiring the best local talent, limited technology transfer, and disrespect for local customs. MNC complaints about host countries relate to profit limitations, overprices resources, exploitative rules, foreign exchange restrictions, and failure to uphold contracts (Wiley & Canada, 2007).

National and International of Business Culture in Turkey

To succeed with any potential venture in a thriving new economy, understanding the Turkish culture, the people, etiquette, and the way they do business is essential. The first focuses on the attitudes and values of the Turkish people. Business ethics should then be examined introducing the typical cultural and ethical differences that you may encounter when doing business in Turkey. It is important to know the habits and communication patterns of the country with which you are conducting business. Effective communication can bring you closer to a successful business deal. Turkey has many traditional beliefs and values, therefore an understanding of the culture will bring you closer to future business success. Personal relationships in Turkey are developed in order to strengthen business relationships. You have to win Turkish people's trust before doing business with them. This is important when selecting key personnel who will represent a company in Turkey, as changing representatives in the future, will directly affect the business relationship.[7]

Culture Around the World

Intercultural research shows how national culture influences management and business strategies. Multinationals easily resolve the standardization–adaptation dilemma because of their experience in international trade and the large budgets they allocate to international trade (Samiee & Athanassiou, 1998).

When working in the global commercial environment, knowledge of the impact of cultural differences is one of the keys to international business success. Regardless of the sector in which you operate—finance, technology, or computers and consumer electronics—global cultural differences will directly impact on you and the profitability of your business. Improving levels of cultural awareness can help companies build international competencies and enable individuals to become more globally sensitive. The culture-focused country profiles contained in the World Business Culture website are your passports to international business expertise.[8]

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[7]Business culture in Turkey. (2013). doi:14.01.2016. from http://businessculture.org/western-euorpe/business-culture-in-turkey/.

[8]Culture and International Business: A conceptual Approach. doi:14.01.2016 from http://www.pearsonhighered.com/assets/hip/us/hip_us_pearsonhighered/samplechapter/0205645283.pdf.

1.2.11 International Air Transportation Business

Air transportation is a major industry in its own right and provides important inputs into wider economic, political, and social processes in international business. The demand for its services, as with most transport, is a derived one driven by the needs and desires to attain some other, final objective. Air transport can facilitate, for example, in the economic development of a region or of a particular industry such as tourism, but there has to be a latent demand for the goods and services offered by a region or by an industry. Lack of air transport, as with any other input into the international economic system, can stymie efficient growth, but equally, inappropriateness or excesses in supply are wasteful.

1.3 Enterprises Risk Management in Air Transportation Industry

1.3.1 What Is the Risk?

The word contains two key ideas: uncertainty and outcomes. In common usage, people associate risk with negative outcomes more than with positive ones, but usually both are present. The idea of outcomes can be broadened to include goals or objectives. A jaywalker may have two objectives: to save time instead of waiting for a green traffic light, and to cross the street without being hit by a car. There is uncertainty about whether he can jaywalk and meet those objectives. The first objective relates to a positive outcome (saved time), and the second to a negative outcome (injury) (Green, 2015).

The term risk, intuitively, involves uncertainty and loss. As the uncertainty is one of the most important characteristics of the risk, it is necessary to investigate the sources of risk. Measuring and exposing the potential returns and losses associated with those returns are also essential components of the risk management concept. In this context, risk management activities involve a role to produce a distribution estimate of potential possibilities, not a point estimate.

The concept of risk as performance variance is widely used in finance, economics, and strategic management. With either the variance or negative variation understandings, "risk" refers to variation in corporate outcomes or performance that cannot be forecast ex ante.

The label "risk" has also commonly been assigned to factors (whether external or internal) of the firm that impact on the risk experienced by the firm. In this sense, "risk" actually refers to a source of risk. Some common examples of risk—referring to risk sources—are terms such as "political risk" and "competitive risk". Such terms link unpredictability in firm performance to specific uncertain environmental components. The use of the term "risk" to refer to uncertain environmental variables that reduce performance predictability as well as the lack of predictability in firm outcomes itself can be confusing (Miller, 1992, p. 331).

There is something about risk perceptions; Risk is the possibility of loss or injury. This is the most commonly recognized concept—we have something to lose, and we might lose it through an accident or misfortune. The second, Potential for a Negative Impact, is known by its generic definition, as something that could go wrong. Something could go wrong. What could go wrong? We might face a decline in the value of a brand, or competitors might penetrate our markets. The negative impact may be vague and unknown, but it would produce a negative outcome. The third, Likelihood of an Undesirable Event, moves us into the world of statistics and quantitative analysis. We see a risk on the horizon. What is the likelihood it will materialize? What will be the impact if it occurs? Can we quantify the damage? What will be our best case if it occurs? Our worst case? (Hampton, 2009).

Definition of the risk

The concept of risk and risk assessment has a long history. More than 2400 years ago, the Athenians offered their capacity of assessing risk before making decisions (Bernstein, 1996). Risk is "the threat that an action or event will adversely affect an organization's ability to achieve its objectives and successfully execute their strategies" (Griffiths, 1998, p. 17). The activity of any organization develops under the influence of the market and technological change, which in turn are governed by the economic, political, and social environments. Unpredictable changes occur in these "environments" and they affect the performance of organizations. These deviations from the initial plans are called risks (Boghean, 2015).

Types of risk

There are five types of risks: strategic risk, compliance risk, operational risk, financial risk, and reputational risk (Blackman, 2014).

- Strategic risks
  - Business Environment

    Country risk, financial markets, economic environment, volumes, investors, and lenders
    Shareholders, business partners, competitors, industry moves
  - Regularity Environment

    Sector regulation, competition, sector regulation business, and tariffs
    Environmental regulations trends, licensing bodies, and elected representatives
  - Brand and commercial relationships

    Reputation, opinion trends, licensing bodies, and elected representatives
    New product, Marketing ad equation

  - Strategic information and decision

    Definition of the general strategy, strategic analysis, investment evaluation, and acquisitions

  - Organizational design

    Organizational design, governance design

- Financial Risks
  - Prices

    Interest rates, currencies, stock market, energy market risk, non-energy market risk

  - Complex financial products

    Complex financial products

  - Cash flow

    Liquidity risk

  - Counterparty

    Financial counterparty, Customer credit

  - Retirement commitments

    Pension obligation

- Operational Risks
  - Operations

    Sourcing-Energy, Sourcing-Non-Energy, Efficiency, Project execution, Capacity, Quality
    Maintenance, Business Interruption Technology, Contract negotiations, Contract management
    Industrial accident, Environmental damage, Security, Integration post acquisition

  - Human Resources

    Health and safety, Competence, Key people and succession planning, culture
    Social climate, performance incentives, staffing, and outsourcing

  - Information Management and Processing

    Financial reporting, Regulatory reporting, IT security threats, IS availability
    IT infrastructure, IT project management, Intellectual property, and confidential information
    Adaptability and responsiveness of the IT department

- Natural risks

  Extreme climate, Natural disaster

- Governance, compliance, and ethics

  Organization, Non-compliance, Non-compliance with ethics, Fraud

1.3.2 Risk Management

However, risk assessment and risk management as a scientific field is young, not more than 30–40 years old. From this period, we see the first scientific journals, papers, and conferences covering fundamental ideas and principles on how to appropriately assess and manage risk (Aven, 2016).

The recent economic volatility gives risk management a new focus and eminence. Successful firms are able and willing to effectively integrate risk management to all levels of the management process. The purpose of the study is to highlight the importance of effective risk management (ERM) in preventing risk management failure (Fadun, 2013).

The major objective of ERM is to increase shareholder value (Sobel & Reding, 2004). Against the background of the events mentioned above, the concept of integrated risk management, often determined as an ERM, is increasingly gaining popularity (Drogan & Kot, 2015).

First, it achieves this by improving capital efficiency through the provision of an objective basis for allocating corporate resources. It is able to do this by reducing expenditures on immaterial risks and exploiting natural hedges. Second, ERM can support informed decision-making by exposing areas of high risk and suggesting risk-based advances. Third, ERM will help build investor confidence by establishing a process which, by its activities, can stabilize financial results and demonstrate to all stakeholders that the organization practices sound risk stewardship (Quon, Zeghal, & Maingot, 2012).

The implementation of the integrated risk management system within an organization is a prerequisite according to the generally accepted international standards, entailing "it should be a continuous process which runs throughout the organization's strategy; it should address methodically all the risks surrounding the organization's activities; it must be integrated into the culture of the organization; it must translate the strategy into tactical and operational objectives, assigning responsibility throughout the organization with each manager and employee responsible for the management of risk as part of their job description" (IRM, 2002, p. 2).

Skillful risk management is based on the fact that during the development of strategy, the company also develops a risk management strategy. When developing the strategy, the company should indicate the purpose of risk management, identify risks, make measurements, propose risk mitigation tools, monitor, and control risk and create a homogenous system of risk management. In a few words, risk management is not oriented toward the whole company, but an effective and efficient way that supports the implementation of developed strategy and reads those signals that indicate a need to modify assumptions, financial flows, programs, and results (Drogan & Kot, 2015).

The concept of risk management in the financial sector was revolutionized in the 1970s, when financial risk management became a priority for many companies including banks, insurers, and non-financial enterprises exposed to various price fluctuations such as risk related to interest rates, stock market returns, exchange rates, and the prices of raw materials or commodities (Dionne, 2013).

International Business Risk

Risk, seen from the prospect of reaching the organization's objectives, may bring about advantages and opportunities, or disadvantages and threats. Thus, if risk has a negative impact on the completion of the organization's objectives, then it is a threat for the organization, while if risk has positive implications, it may be regarded as an opportunity. Therefore, risk management is directed at constantly monitoring the activities of the organization in order to identify new risks or the way they have evolved in time (Boghean, 2015).

Awareness of risk presence in international business is deeply rooted in senior managers' awareness. It is compatible with company objectives that treat risk as a necessary, indeed an integral part of all companies, and taking a risk is deemed an obligation, because the aim is to manage risk and not to eliminate it (Beans, 2010).

Companies are beginning to treat risk management as a regular part of company policy. In order to manage an organization efficiently, large multinational companies, especially those operating on different continents, in different social, political, and legal conditions, develop specific mechanisms and tools to estimate risk effectively. Identification and assessment of risks, which may hinder the company to achieve its objectives, allow to determine the ways to handle the risk, and thus, to build a risk mitigation strategy. Determining the level of individual risks allows policymakers to make decisions within the limits of acceptable legal and economic risks, without the risk of their negative impact on the company's stability (Drogan & Kot, 2015). There are two kinds of risks that affect the business—macro and micro risk. According to their scope, their impacts can change.

Macro Risk

This is a type of political risk in which political actions in a host country can adversely affect all foreign operations. Macro risk can come about from events that may or may not be in the reigning government's control. Macro risk describes political risks that affect all businesses that operate in a foreign country. Examples of macro risks include the possibilities that a nation could raise taxes, fall into civil war, or devalue its currency. Business managers must be well informed of a country's laws and political situation to manage macro risk. For instance, managers might avoid investing in a certain country if they think it is likely the country will pass unfavorable legislation. Diversifying a business by expanding operations into several foreign countries is a way to mitigate risk (Hamel, 2014). In macro risk, there are six different types of risk in international business.

- Political risk
- Exchange risk
- Credit risk
- Transport risk
- Market risk
- Cultural risk

Political risk

Political risk is broadly defined as the probability of disruption of the operations of companies by political forces and events, whether they occur in host countries or result from changes in the international environment. In host countries, political risk is largely determined by uncertainty over the actions not only of governments and political institutions, but also of minority groups and separatist movements (MIGA, 2011). The term "political risk" occurs frequently in the international business literature; agreement about its meaning is limited to an implication of unwanted consequences of political activity.

Political risk includes the following:

- Transfer and convertibility restrictions: risk of losses arising from an investor's inability to convert local currency into foreign exchange for transfer outside the host country. Currency devaluation is not covered (MIGA, 2011).
- Expropriation: the loss of investment as a result of discriminatory acts by any branch of the government that may reduce or eliminate ownership, control, or rights to the investment either as a result of a single action or through an accumulation of acts by the government (MIGA, 2011).
- Breach of contract: risk of losses arising from the host government's breach or repudiation of a contractual agreement with the investor, including non-honoring of arbitral awards (MIGA, 2011).
- Non-honoring of sovereign financial obligations: risk of losses due to non-compliance of government guarantees securing full and timely repayment of a debt that is being used to finance the development of a new project or the enhancement of an existing project (MIGA, 2011).
- Terrorism: risk of losses due to politically motivated acts of violence by non-state groups (MIGA, 2011).
- War: risk of losses due to the destruction, disappearance, or physical damage as a result of organized internal or external conflicts (MIGA, 2011).
- Civil disturbance: risk of losses due to social unrest (MIGA, 2011).
- Other adverse regulatory changes: risk of losses for foreign investors stemming from arbitrary changes to regulations (MIGA, 2011).

When a company decides to do business in another nation, it opens itself up to a host of risks as its operations are subject to that country's laws and political climate. If, for example, a U.S. corporation opens a factory in China and China goes to war or changes its laws, it could have a significant impact on the business' operations and profitability.

Exchange risk

According to Sandler (2014), exchange risk is a financial risk posed by an exposure to unanticipated changes in the change rate between two currencies. Every country has its own currency system, as the currency of one country does not circulate in the other country. The exchange rate between currencies fluctuates over time and can lead to unexpected gains or losses. Currency exchange rate risk is classified into three types: transaction, translation, and economic exposure. Transaction exposure deals with actual foreign currency transaction. Translation exposure deals with the accounting representation. The economic exposure deals with little macro level exposure, which may be true for the whole industry rather than just the firm under concern.

Credit risk

Credit risk is the ancient hazard of suffering loss because of not being able to extract the promised return from a business partner. We also include counterparty and country risk within this category. Various examples exist: sovereign risk on issue of bonds and debt default such as the Russian economic crisis of 1998, or the Argentinean debt crisis in 2002 (Dinu, 2012).

Transport risk

Due to long distance between countries, goods are distributed via shipping or air. Maritime and air transport are exposed to many types of additional risks.

Market risk

Market risk is the loss in value of the bank or fund's portfolio caused by changes in price (or price-related) factors. Currency rate, interest rate, equity price levels, and volatility levels are changes or risks that come under this heading. A bond-dealing desk taking positions is a typical example of a portfolio under market risk. The large foreign exchange market trading feeds of these risks for good and bad where those who estimate the market risk well benefit, whilst those who calculate market risk wrongly generally fail (Dinu, 2012).

Cultural risk

Cultural risks occur as the result of different expectations, misunderstandings, and miscommunications between a buyer and seller. A seller wants to make a large sale to meet a quarterly quota. The buyer wants to be polite and may be saying "yes", acknowledging the seller's explanation of the features and benefits of the product. The seller asks for the potential buyer's standard shipping instructions, which are then promptly provided. The seller enters the "order", and the shipment then processed. But the buyer has never placed a proper order, and therefore rejects the shipment. A request for a quotation arrives that is misinterpreted to be a purchase order. A lack of communication resulting from language problems results in a shipment that was never ordered. A buyer promises to pay promptly when the goods are delivered. What the seller fails to realize is that promptly will be after the month long holiday in the buyer's country, during which the goods may be shipped, but will not be picked up by the company until after the holiday. Thus, payment is delayed and demurrage costs may accumulate (Openlearningworld.com, 2011).

Micro risk

Micro risk describes political risks that do not affect all businesses. For example, if a country enacts new strict environmental regulations on factories, it would affect industrial operations in the country, but it might not affect certain industries like services and restaurants. Businesses can manage micro risk by shifting investments into projects or industries not affected by unfavorable changes (Hamel, 2014).

Managing risk is one of the primary objectives of firms operating internationally. Nevertheless, current treatments of risk and uncertainty in the international management literature vary in their use of these terms and tend to look at particular categories of risks to the exclusion of the risks mentioned elsewhere in management literature (Miller, 1993).

Global Risk Management

Risk is the fundamental element that drives financial behavior. Without risk, the financial system would be vastly simplified. However, risk is omnipresent in the real world. Financial institutions, therefore, should manage the risk efficiently to survive in this highly uncertain world (Arunkumar & Kotreshwar, 2005).

Precautions of the possible risks must be considered by businesses and require them to examine many aspects of the business and its risks. Moreover, certainly, managing risks costs money. The amount of cost on managing risk depends on the type of business and the transaction. Moreover, risk management is always an important issue and comprehensive knowledge about what is required and how the risks will be anticipated, which proves helpful for the efficient risk management plan (Dragon & Emeksiz, 2012).

Risk management is critically important for the survival of companies operating in all sectors today's competitive marketplace. All potential risks should be managed correctly and investments should be correctly transferred in order to achieve long-term sustainable growth. Effective risk management policies are developed globally for complex risks posed by new technologies in the international energy markets, price ambiguities, compliance issues, privatization, mergers, political fluctuations, and globalization (Dragon & Emeksiz, 2012).

Risk management is the culture, processes, and structures directed toward the effective management of potential opportunities and adverse effects (Bromiley, Nair, & Rustambekov, 2015).

On the other hand, risk management is the coordinated activities to direct and control an organization with regard to risk. Risks affecting organizations can have consequences in terms of economic performance and professional reputation, as well as environmental, safety, and societal outcomes. Therefore, managing risk effectively helps organizations to perform well in an environment full of uncertainty (ISO 31000, 2009).

Historically, firms have managed different kinds of risk separately. This fragmentation of risk management occurred because different functions within a corporation handled different parts of risk management. For example, finance often addressed risks associated with currency or interest rate variations, insurance handled natural catastrophes and liability, and operations managed quality and safety risks. In such an environment, each function developed tools and practices largely independent of others (Bromiley et al., 2015).

Until 1975, risk management could be characterized merely as pure insurance management—the activity of managing risks by taking out insurance. The employees working with risk management were therefore concerned with administering the company's insurance portfolio. This approach to treating risks meant that risk management was predominantly concerned with insurable risks (Doherty, 2000) but the rise of risk management, which started in the mid-1990s, can be attributed to a number of factors. One, from a rational-economic perspective, is the change in the competitive environment, with a tendency toward greater turbulence and complexity. This is indeed borne out by the types of risks that organizations themselves take into account, such as the ongoing trend toward business process outsourcing more complex forms of public sector contracts, for example, the emergence of organized stakeholder groups who may put the spotlight on environmental or social issues (Arena, Arnaboldi, & Azzone, 2010). The traditional view of risk management has been one of protecting the organization from loss by avoiding the downside. A more sophisticated approach to risk management is about "seeking the upside while managing the downside" (Collier, 2009, p. 137).

Risk management is a system and firms operate in a business environment. There are two types of environments—external and internal–and firms are affected by stimuli from both environments. Risk management types, severity, and responses are based on systemic risks (Fig. 1.1).

The purpose of risk management is to ensure that adequate measures are taken to protect people, the environment, and assets from harmful consequences of the activities being undertaken, as well as balancing different concerns, in particular,

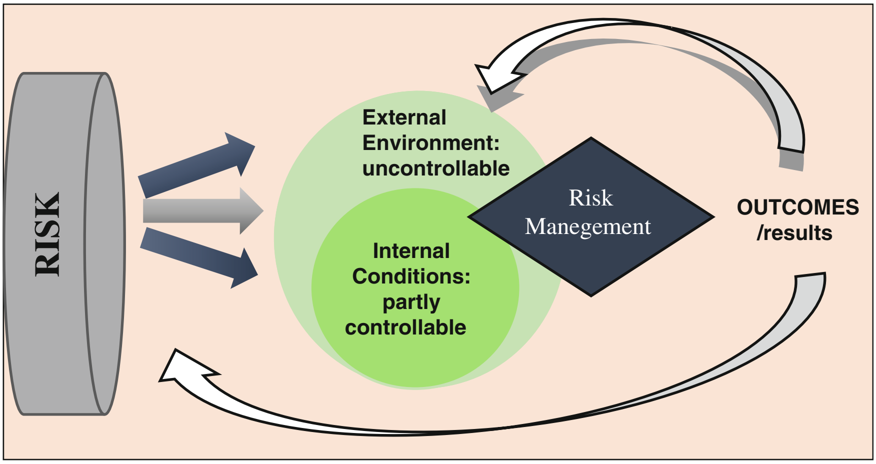

Fig. 1.1 The Risk chain: the nature and extent of outcomes depend on risks, exposure, internal conditions, and risk management (WDR, 2014)

HES (Health, Environment and Safety) and costs. Risk management includes measures to both avoid the occurrence of hazards and reduce their potential harms. Traditionally, risk management was based on a prescriptive regime, in which detailed requirements were set to the design and operation of the arrangements. This regime has gradually been replaced by a more goal-oriented regime, putting emphasis on what to achieve rather than on the means of doing so.

Risk management is an integral aspect of this goal-oriented regime. It is acknowledged that risk cannot be eliminated but must be managed. There is an enormous drive and enthusiasm in various industries—and society as a whole nowadays—to implement risk management in organizations. There seem to be high expectations that risk management is the proper framework for obtaining high levels of performance (Kobbacy & Murthy, 2008).

To support decision-making on design and operation, risk analyses are conducted. The analyses include identification of hazards and threats, and cause analyses, consequence analyses, and risk description. The results of the analyses are then evaluated. The totalities of the analyses and evaluations are referred to as risk assessments that are then followed by risk treatment, which is a process involving the development and implementation of measures to modify risk, include risk management ding measures designed to avoid, reduce ("optimize"), and transfer or retain risk. Risk transfer means sharing with another party the benefit or loss associated with a risk. It is typically affected through insurance.

Risk management covers all coordinated activities designed to direct and control an organization with regard to risk, whereas the risk management process is the systematic application of management policies, procedures, and practices to the tasks of establishing the context, assessing, treating, monitoring, reviewing, and communicating risks. Risk management involves achieving an appropriate balance between realizing opportunities for gains while minimizing losses. It is an integral part of good management practice and an essential element of good corporate governance. It is an iterative process consisting of steps that, when undertaken in sequence, enable continuous improvement in decision-making and facilitate continuous improvement in performance (Aven & Vinnem, 2007).

Hence, strategies to manage risks (uncertainties with negative consequences) typically include avoiding the threat, reducing the negative effect or probability of the threat, transferring all or part of the threat to another party, and even retaining some or all of the potential or actual consequences of a particular threat and the opposites for opportunities (uncertain future states with benefits) (ISO 31000, 2009).

1.3.3 Enterprises Risk Management

As businesses grow periodically, relevant risks grow at the same rate, together with new fields of risk management that emerge. Thus, organizations' risk management adapts to the specialized risk through a more integrated approach: Enterprise Risk Management (hereinafter: ERM). The concept developed from the mid-1990s industry to meet the requirement of business growth and risk management (Darcy, 2001).

Enterprise risk management is a process, affected by an entity's board of directors, management, and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives (COSO, 2004).

"ERM is the discipline, by which an organization in an industry assesses, controls, exploits, finances, and monitors risks from all sources in order to increase the organization's short- and long-term value to its stakeholders." (Gordon, Loeb, & Tseng, 2009, p. 303)

Several parts of this definition merit individual attention. First, ERM is a discipline. This conveys that ERM is an orderly or prescribed conduct or pattern of behavior for an enterprise, that it has the full support and commitment of the management of the enterprise, that it influences corporate decision-making, and that it ultimately becomes part of the culture of that enterprise. Second, ERM, even as defined for CAS purposes, applies to all industries, not just the property/casualty insurance industry with which casualty actuaries are intimately familiar. Third, the specific mention of exploiting risk as a part of the risk management process (along with the stated objective of increasing short- and long-term value) demonstrates that the intention of ERM is to be value creating as well as risk mitigating. Fourth, all sources of risk are considered; not only the hazard risk with which casualty actuaries are particularly familiar, or those traditionally managed within an enterprise (such as financial risk). Finally, ERM considers all stakeholders of the enterprise, which include shareholders and debt holders, management and officers, employees, customers, and the community within which the enterprise resides (COSO, 2003, p. 8).

The key points are that the "Enterprise" in addition to "Risk Management" adds the cross-enterprise element, i.e., emphasizes that single risks are not to be seen in isolation, but from an enterprise-wide portfolio view. The above definition further explicitly incorporates the element, which implicitly places the onus on management to proactively define and act according to the level of risk that the company wants to take. Whereas the previous stages of risk management are partly defensive in nature, the purpose of ERM extends to proactive management decisions as to how to position their enterprises in relation to potential risks. This leads to the objective element of the definition above, which explicitly includes "the achievement of entity objectives," i.e., that successful ERM is about optimizing the likelihood of the entity reaching its objectives (Nielsen, 2010).

ERM takes risk management to the next level. It refers to a comprehensive risk management program that addresses a variety of business risks. Examples are risk of profit or loss; uncertainty regarding the organization's goals as it faces its strengths, weaknesses, opportunities, and threats; and risk of accident, fire, crime, and disasters. When all of these risks are in one program, planning improves and thus overall risk reduced. Because risks frequently are uncorrelated (i.e., all of them causing loss in the same year), insurance costs are lower. For instance, a company is unlikely to face the following losses in the same year: fire, adverse movement in a foreign currency, and homicide in the workplace (Purpura, 2013).

In other words, ERM is an approach in which the company is viewed as a whole, and value creation is stressed. The ERM process is designed as a value-adding activity on account of its forward-looking approach (Walker, Shenkir, & Barton, 2002). "ERM proposes that firms address all their risks comprehensively and coherently, instead of managing them individually" (Bromiley et al., 2015, p. 265).

As can be seen in Fig. 1.2, the traditional, financial risk management changed over time in a direction where the goal is a contribution to sustainable, competitive advantage, improving business performance, and optimizing costs (the y-axis in the figure). "The development is a continuum, meaning there is no specific and direct shift from the traditional approach. The change happened over time partly caused by regulation and compliance" (Lennon, 2007, 12).

In Fig. 1.2, as a first step is risk management, one must focus on financial risks and internal controls. The second phase—business risk management—focuses on business risk's linkage to opportunities. The last and most developed phase is enterprise risk management. It focuses on business risk related with crystalline, and its scope is aligning strategy, processes, people, technology and knowledge on an enterprise-wide basis.

Several texts and periodicals have introduced or discussed concepts such as "strategic risk management", "integrated risk management", and "holistic risk management". These concepts are similar to, even synonymous with, ERM in that they all emphasize a comprehensive view of risk and risk management, a movement away from the "silo" approach of managing different risks within an organization

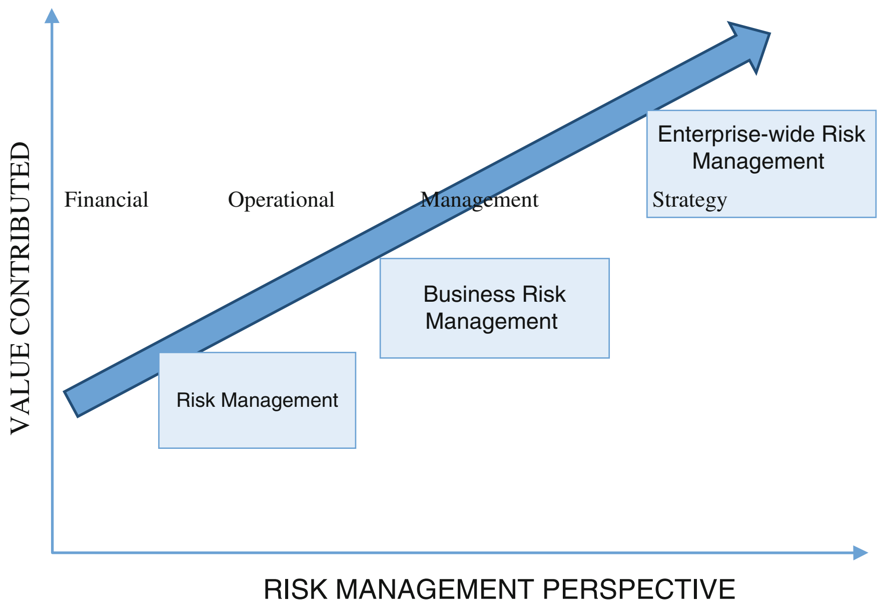

Fig. 1.2 Development of an enterprises risk management model

separately and distinctly, and the view that risk management can be a value-creating, in addition to a risk-mitigating, process (COSO, 2003).

ERM is an approach to aligning strategy, process, and knowledge in order to curtail surprises and losses as well as to capitalize on business opportunities. Many individuals associate risk with negative outcomes. However, there is a potential value component to risk assessment and management. Risk management is about balancing risk and reward. A well-designed risk management program encourages and allows an organization to take intelligent risks. It involves assessing quantitative factors and information as well as considering management experience and judgment. An effective risk management program entails balancing people and processes. Ultimately, an entity's risk profile is affected by the actions and decisions of its board of directors, management, and employees (Marchetti & Wiley, 2011).

ERM, top management's first step is to develop the company's strategy and objectives, driven by its mission and vision. It is of interest to note that the differentiating factor "strategy" should not be limited to the implementation of strategy, but should actively include strategy formulation, which incorporates the two-sided perspective of risk, focusing on negative and positive risk occurrences. As a result, prior to undertaking risk management activities, the organizational risk philosophy and risk tolerance should be established in order to formulate an organizational risk strategy for the management of risk. The organizational risk philosophy is based on the organizational goals and the shareholders' or owners' expectations. Risk tolerance, in turn, is based on the financial resources the organization has to its disposal, as well as the amount the organization is willing to lose (Banks & Dunn, 2003).

ERM has grown rapidly during the past 20 years, with regulators, professional associations, and even rating firms calling for its adoption (Arena et al., 2010). ERM has emerged as a new paradigm for managing the portfolio of risks that face organizations, and policymakers continue to focus on mechanisms to improve corporate governance and risk management (Beasley, Clune, & Hermanson, 2005).

1.3.4 Enterprises Risk Management Process

ERM implementation enables management to identify, manage, and respond to risks effectively. As risks cannot be eliminated, organizations may implement ERM as a strategic planning tool to identify, manage and respond to risks effectively, in order to better understand their key material business risks while establishing a strong risk management culture across the entire organization. The implementation is considered complete or full when ERM is embedded into corporate strategic planning and decision-making processes (Ahmad, Ng, & McManus, 2014).

The starting point of all ERM activities is the availability of an effective and efficient infrastructure to support the process, followed by the risk analysis steps, which include risk identifying, sourcing, and measurement. The process includes management devising a risk management strategy as well as the implementation of the formulated strategy. To ensure the efficient and effective working of the processes, the risks, risk strategies, and the implementation activities should be monitored on a continuous basis. All these activities should be performed, keeping the main objectives of the ERM process in mind as graphically depicted in Fig. 1.3 (Bowling, Julien, & Rieger, 2003).

By categorizing the organization's objectives, focus is directed at the different ERM aspects. ERM will aid in the achievement of internal objectives within the organization's control such as reliability of reporting, and compliance with laws and regulations. As far as external objectives such as operational and strategic activities are concerned (which are not always within the organization's control), ERM can provide reasonable assurance that management is informed of the organization's level of achievement of these goals (COSO, 2004).

Another standard for enterprises' risk management— developed in Australia—is the AS/NZS4360:2004 (Fig. 1.4). This section will give a brief overview of the standard.

Seven steps of the standard are described. First is Establish the Context. The context is described as Objectives, Stakeholders, Criteria, and Defining Key Elements. As is the case in the ERM process's approach, it too starts at the objectives of the enterprise. It is necessary to know the objectives and how they are decomposed into objectives on lower levels of the organization. The second standard is Identify the Risks, where risk identification is carried out. It is necessary for

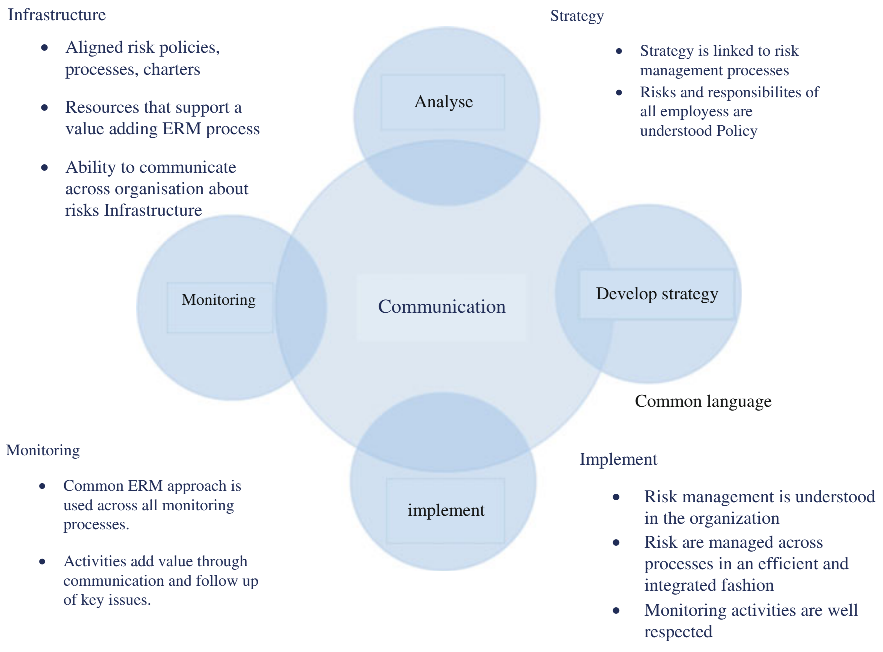

Fig. 1.3 Implementation of enterprise risk management

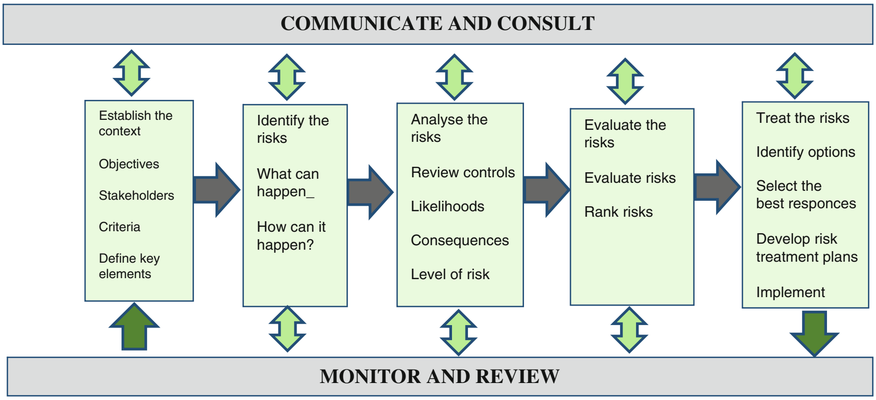

Fig. 1.4 Standard for enterprises risk management in Australia

the risk management to be effective—to not take a generic checklist approach toward risk identification, as such an approach does not consider company specific structures. Next is Analyze the Risks. This is based on an assessment of likelihood and impact. The underlying approach behind the assessment can vary a lot, though. In simple contexts, the approach chosen can be of qualitative nature. The fourth step is Evaluate the Risks, which is carried out to compare the identified risks and their appertaining impact and likelihood with the organization's priorities. If the outcomes from the previous step—risk analysis—are considered wrong, the likelihood and/or impact can be changed. The output from this step is a list of the risks and their importance with respect to the organization. Following is Threat the Risks, which deals with treatment of the risk—the preparation of risk responses—as is in the case of ERM. The risk treatment covers both proactive planning and recovering plans if the events are occurring. Monitor and Review, and Communicate and Consult are the remaining steps. These are supporting activities related to every one of the abovementioned steps. The monitoring must lead to a review of each step over time, to ensure an effective approach. Communication is the enabler of the risk management process. It is listed as a need, in order to provide those responsible for carrying out the risk management activity adequate opportunity (Dale, 2007).

1.3.5 Enterprises Risk Management's Benefits and Problems

The benefits of ERM, as described in the trade or academic press, arise from taking a portfolio approach to managing risk, thereby capitalizing on less than perfect correlation across risks in the company and benefiting from natural hedges. Not surprisingly, one of the most common benefits cited was a coordinated and consistent approach to risk management, resulting in lower costs and better communication across the company. Companies also saw this coordination as an important way to avoid very large losses since the company had a better handle overall on its risks and was doing a better job of communicating with individual departments. A second benefit seen by many risk managers was a company-wide philosophy regarding risk management. Adopting an ERM approach was a way to align everyone to the same objective. When risk management permeates the entire company, and if everyone buys in, better results can be expected. In addition, a number of companies saw ERM as a more strategic approach to managing risk. Rather than the company simply buying insurance, ERM is a way to increase risk awareness, and this increase in awareness and knowledge allows for sounder decision-making. Companies saw this as an important way to increase the comfort level of the board of directors (Kleffner, Lee, & McGanon, 2003).

ERM provides a significant source of competitive advantage for those who can demonstrate a strong ERM capability and discipline. While ERM is on the rise, not all organizations are adopting it. Little is known about why some organizations embrace ERM while others do not (Beasley et al., 2005). Finally, the benefit of ERM stems from taking a portfolio approach to risk management. That is, just as holding a diverse portfolio of stocks reduces the volatility of returns, a corporation's offsetting risks should result in a total risk level that is lower than the sum of the individual risks. This in turn can translate into lower risk management costs (Kleffner et al., 2003).

In contrast to benefits, there are some problems in ERM. One of the main problems is the existence, and in some cases the reemergence, of the silo mentality. Thinking across the corporation and looking collectively at all of the risks it faces proves to be one of the most difficult challenges in implementing an ERM program. In addition, risk analysis is also a key barrier as companies attempted to quantify all of their risks and realized the enormity of the task. A second problem stems from the effects of recession and business downturn. Such slowdowns generally curb expenditures in the risk management area, partly because it is too difficult to measure the cost to implement risk management and equally difficult to measure the return on the investment. In addition, management change, retirement, downsizing, and the overburden of those who remain forced the management team to look after immediate problems, and they were often unable to engage in more strategic, longer term planning. Finally, there was uncertainty regarding ERM, how it creates value, and how it encompasses the company's goals and vision. ERM needs to be accompanied by a fundamental risk management culture in the company in order to be successful and to achieve the desired benefits. Devising simple strategies that "bring(s) discipline and consistency to what you are already doing" is necessary, as opposed to making ERM an "add-on" seen as simply one more thing that people have to do (Kleffner et al., 2003, p. 57; Pooser & McCullough, 2012, p. 2;).

The potential problems affecting the effective implementation of the ERM system are as follows: Organizational culture, i.e., the attitude of employees toward ERM is an obstacle to effectiveness. The reluctance to discuss sensitive issues on an organization-wide basis further impacts the success of ERM implementation.

A lack of ERM tools, formulized processes, and risk understanding are obstacles to effective and efficient ERM. Inherent complexities embedded in the ERM process necessitate the need for the allocation of the process to a specific organizational unit to ensure ERM continuity and consistency (Smit, 2012).

1.3.6 Overview of Air Transportation Industry Risks

Airline industry risks may be categorized in four categories: operations, strategic, compliance, and financial. Operations risks comprise of risks incurred by the organization's day-to-day activities, and as such, they involve people, systems, and processes. Normally, like in other industries, internal senior and middle management mitigate these risks. Amongst the most typical operations risks within the airline industry, we find hazardous activities affecting safety, inadequate financial processes leading to inefficient control, and inadequate IT backup systems leading to loss of information.

Strategic risks, on the other hand, are risks having to do with the positioning of the company within its environment. These have high stakes and are often dealt with at Board Level. With today's environment in the airline industry, positioning is of utmost importance. The emergence of low-cost carrier companies competing with the traditional legacy airline companies has added importance to these risks. The most common risks comprise pricing issues, which may easily throw a company out of business if not mitigated carefully. Other airline strategic risks include alliance decisions that may affect the company's ability to decide for itself, and positioning decisions that will affect future operations' decisions.

Compliance risks regard the adherence with external regulations and legislations. Not following IOSA (IATA Operational Safety Audit) recommendations, and not adhering to national and international laws may lead to heavy penalties and above all loss of reputation.

The main financial risks that may hamper an airline carrier to operate smoothly are the hedging risks. Hedging decisions are the pivot on which future pricing will have to balance budget decisions, subsequently affecting forecasted profits. There are two very important hedging exercises, which have to be continuously monitored at high level—oil price hedges and currency hedges. Both currency fluctuations and oil price fluctuations may on their own tip the scale to a profitable situation or one of a loss. In today's airline operations, fuel makes up for 30% of the total costs while currencies are instrumental for the purchasing of fuel (usually done in USD) and for the collection of fares, which are negotiated in various countries. Credit control risks are also paramount in that they may easily affect the liquidity position of the company (Genovese, 2014).

1.3.7 Enterprises Risk Management in Air Transportation Industry

The business environment of the airline industry is uniquely complex. The airline industry has historically been one of the fastest growing industries in the world, despite numerous challenges inherent in the industry structure and surrounding provision of airline services. Airlines face general entrepreneurial risks just as any other business does, yet external challenges especially related to industry structure, macroeconomic conditions, or governmental interventions, over which airlines have limited or no control, are the most relevant challenges to airlines (Swelbar & Belobaba, 2009).

Airlines have tended to see risk management in terms of hazards, such as the need to protect physical assets. Significant and growing attention has also been given to safety and security issues. Elsewhere, there has been some experimentation with hedging financial risks, such as foreign currency exchange rates, interest rates, and fuel prices. These approaches have been successful to an extent, but more aggressive techniques and a wider perspective would greatly increase the benefits. One new concept that can address this opportunity is Enterprise Risk Management (Zea, 2002) (Fig. 1.5).

The specificity of the airline business environment is reflected in an airline's risk profile, which is characterized in particular by the prevalence of external risks with a low level of controllability. The risk management strategies of airlines are conditioned by the different levels of occurrence, probability, and potential impact of the risks they face. Risks of low frequency and high severity, such as aircraft accident risks, can be transferred to external parties through insurance policies.

Risks of high severity and with a high level of occurrence probability are not insurable. Airlines employ means to minimize losses through crisis management

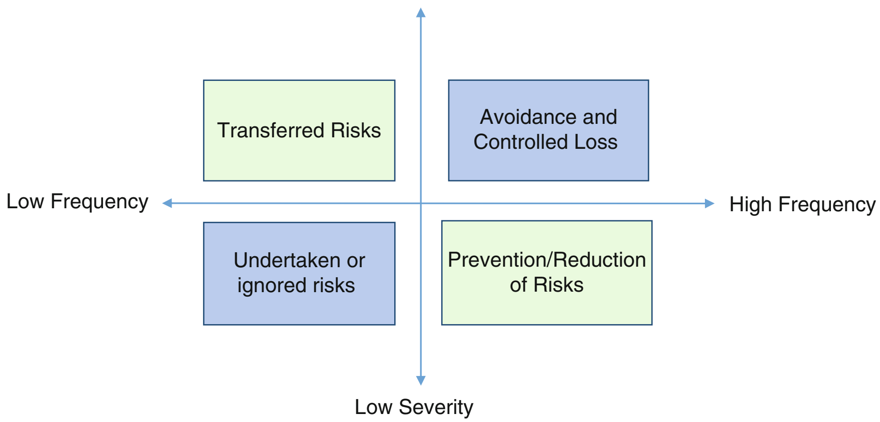

Fig. 1.5 Airline risk management matrix

programs and wider risk management systems. Risks of low severity and low frequency of occurrence are often retained by airlines, which may employ, for example, captive insurance solutions. Risks of high frequency and low severity, such as operational risks, can be managed in airlines through the establishment of internal control and risk management programs. The above figure summarizes the common strategies employed by airlines, adapted to the typology of exposures they face. In the two-dimensional matrix, the vertical axis indicates the degree of potential loss an airline would experience if the risks were to materialize, while the horizontal axis indicates the level of occurrence probability (frequency) of particular risks (Lin & Chang, 2008).

There are several focus areas in airline risk management practices. These are safety risk management, airline insurance policies, crisis management and contingency planning, and financial risk management.

Safety risk management: Air travel safety is a broad area, encompassing operational safety risks and security threats considered in terms of violent acts indented to harm aviation passengers or installations.

Airline insurance policies: mitigating risks through insurance has traditionally been the most common form of risk management in airlines. Due to the nature of their core operating business, airlines are exposed to risks, such as accidental or incidental damage to aircrafts, and multiple resulting costs, such as liability claims related to passengers and general liability (Lin & Chang, 2008).

Crisis management and contingency planning: Airline business is conditioned by multiple external risks that can alter the planned course of operations by causing flight diversions, delays, or cancelations, or even provoke major operational crises such as prolonged closure of airspace or aircraft accidents. Causes of operational crises may be complex, involving multiple and interacting factors, combining external exposures such as weather conditions with internal failures such as faulty maintenance procedures. Operational crises represent a significant economic cost to airlines, but also trigger commercial and human consequences for airlines and their customers (Nigel & Elphick, 2005).

Financial risk management: Airlines are exposed to significant financial risks, which create uncertainty of future cash flow and have a material impact on airline operating results. Financial risks, such as fluctuations in interest rates, adverse movements of foreign exchange currency prices, or fluctuations of commodity prices, cause changes in revenue, airlines' operating expenditures and financial expenses. Therefore, management of financial risks is of primary importance and is a commonly employed practice in airlines (Carter, Rogers, & Simkins, 2006).

1.4 Conclusion

As the air transportation industry has expanded their access to resources, goods, services, and markets across wider geographical areas, it has also become more deeply affected (positively and negatively) by conditions outside their home countries. The economic environment of the air transportation industry is becoming ever more complex, making the air transport businesses susceptible to an increasing number of internal and external risks affecting their operations. Taking risks is an inevitable part of the airline business, for future profits trade off the incertitude; yet, airlines need tools to rationally manage risks and to maximize the risk—reward offset in order to achieve competitive advantage.

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Chapter 2
Resource Dependency Risk Management

Abstract Resources are vital for any business. To survive, organizations have to both use and allocate some resources. Resource availability is one of the biggest uncertainty sources for managers. To get optimum resources from optimum sources, managers develop strategies. Sources of resources are also sources of risks. To take correct risk, sources should be taken into careful consideration. Third parties are always sources of risk. Risk includes two sides—both threat and opportunity. We believe that there is high relation between risk management and resource dependency. This is important since managing the uncertainty of sourcing is considered in setting corporate risk strategies. In this chapter, we tried to examine the link between corporate management strategies in view of resource availability uncertainty with practices in business, especially the civil aviation business. We have developed some hypotheses in this concept. The collection of data for the analyses of the hypotheses has been gathered by interviews that were held with the high-level executives from TAV Airports Holding: TAV companies' practices have been investigated to expose the relationship between resource dependence and risk management practices. It has been concluded in the research that resource dependence and theories of transaction costs, especially in managing the uncertainty of sourcing, are taken into account for development of the corporate risk strategies. This chapter attempted to obtain information about the practices in the sector with using semi-structured interviews from the qualitative techniques. Also, interviews were conducted with senior managers of Sun Express Airlines and the Budapest Manager of Turkish Airlines and Fraport IC İçtaş Antalya Airport Terminal Investment and Management Inc.; the interview form was also presented. Therefore, both airport station management and airline management were in the scope of the study. An attempt to obtain the total original image with the leading representatives of the sector in the country and the perspective of enterprise risk management in the light of the hypotheses was made. The findings proved that in order to achieve in business strategies, corporates should find an optimum way to provide scarce resources. The setting of resource dependency based strategies was

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found necessary for competitive differentiation and the institutional sustainability. What we conclude is, manager's strategies may change according to resource uncertainty, resource availability, and competitive qualifications.

Keywords Resource dependency risk · Corporate risk managment · Resource avaliability · Corporate strategy and management · Competitive strategy · Resource dependency strategy

2.1 Introduction

Organizations which need resources not only to produce goods and services but also to be able to survive in a competitive business environment, use inputs such as raw materials, technology, knowledge, skills, labor, capital and human capital, and organizational culture. Organizations always encounter resource availability uncertainty. Also, resource dependency strategies create main risks in relationships with suppliers and organizational structure, operational performance, and quality levels. According to the resource dependence theory, an organization is subject to external control when it depends on its external environment for a large proportion of a critical resource, such as funding (Brettel & Voss, 2013; Pfeffer & Salancik, 2003). Despite the changing prevalence of the types of mergers and interlocks described in resource dependence theory, it is clear that power and dependence relations among organizations, and the managerial lust for self-aggrandizement, had not gone away due to the advent of "shareholder value"; they had simply found new modes of expression, as shareholders in Enron, WorldCom, AIG, and Citigroup were to discover (Davis & Cobb, 2010).

Risk-based perspective of management strategies for corporate resources is in desperate need of review in the aviation business literature. Strategies are of vital importance in business management since they include decision-making as regards shaping the future of organizations and managing both opportunities and threats. Organization culture, which is improved and supported by the risk culture as a fundamental skill, can be transformed as a resource that provides competitive differentiation by using the enterprise risk management applications. Strategies, which are improved by the help of enterprise risk management for competitive differentiation, are vital. The main hypotheses in this study can be seen as the resource dependence on the basis of the enterprise risk management, outsourcing, and it is predicted that the strategies, which are developed for the risks that are related to the transaction costs, have the potential to provide reasonable assurance for an organization's competitive differentiation and corporate sustainability. The selection of both sound and correct risk management strategies for companies provides reasonable assurance toward organizational competitiveness in a sustainable manner. In view of resource dependence, managers try to find a suitable strategy which provides manageable interdependence.

Managing risks of shareholders has the potential to influence the organizational risk strategies that are associated with the resource dependence approach. An enterprise will be able to raise its level of awareness of available resources with effective and enterprise risk management practices. In order to shape the strategies for resource dependencies, it will be effective to be aware of the exact resources a business owns. Risk management is a required managerial practice and approach for increasing resource awareness. When the resource is considered as a kind of power, there is a need to clarify this relationship between power and resource dependency. Corporates achieve their strategic objectives by using various resources such as human resource, capital, entrepreneurship, materials, facilities, etc.; corporates cannot produce all resources. While some resources are scarce, others have critical importance to sustain business. For these reasons, corporates need strong strategies for resource dependency.

2.1.1 Aim, Scope, and Methodology

In this part, in the industry of aviation, which has dynamic and changeable features, the dilemma of finding sources and the cost of operations have been taken into consideration as a risk to associate this issue with corporate risk management strategies. The collection of data for the analyses of the hypotheses has been gathered by interviews that were held with high-level executives from TAV Airports Holding. In this context, TAV companies' practices have been investigated to expose the relationship between resource dependence (transaction costs) and risk management practices. It has been concluded in the research that resource dependence, especially in managing the uncertainty of sourcing, is taken into account for the development of corporate risk strategies. This study tried to obtain information on the practices in the sector through the use of semi-structured interviews from the qualitative techniques. Also, interviews were conducted with the senior managers of Sun Express Airlines and the Budapest Manager of Turkish Airlines; the interview form was also presented. Therefore, both airport station management and airline management are in the scope of the chapter. Thus, an attempt was made to obtain the total original image with the leading representatives of the sector in the country, and the perspective of enterprise risk management in the light of the hypotheses. The findings proved that in order to achieve development in business strategies through the transaction cost theory, providing the scarce resources that an enterprise needs and outsourcing risks are essential. It is also accepted by managers that the strategic management of these risks is necessary for competitive differentiation and institutional sustainability. It has been evaluated that an important contribution is made toward salient strategic decisions by managers—for instance, outsourcing, strategic alliance and whether to take part in a joint venture or not while they are managing the risks of transaction costs and resource dependency through the integration of scientific approaches in the light of organizational theories to management practices.

The chapter is organized as follows: In Sect. 2.2, we present the conceptual side of resource dependency as one of the leading sustainability risks for organizations. In Sect. 2.2.1, we introduce our aim and methodology about the research question and hypotheses of the present study. Also in this section we present our empirical findings. Section 2.3 includes both the conclusion according to our results and comments for resources dependency risk in view of the research's aim, and closes with potential contribution fields for further research.

2.2 Resource Dependency and Availability as One of the Leading Sustainability Risks for Organizations: Resource Dependency Theory (RDT) Based Perspective

Corporate strategy helps firms generate value through any of the six following options as reducing risk, maintaining growth, balancing cash flows, sharing infrastructure, increasing market power, and capitalizing on core competencies. These factors are best used as parameters/criteria for evaluating any corporate strategy decision—forward or backward integration, related or unrelated diversification, mergers/acquisitions, joint ventures, or strategic alliances— as they measure the extent of value added by these corporate strategies (Gupta, Gollakota, & Srinivasan, 2007). Organizations improve on all forms of collaboration (customer, supplier, and competitor) in order to secure the dependence for crucial resources.

This approach also has an opinion related to balance of power inside the organization. Resource dependence theory characterizes the links among organizations as a set of power relations based on exchange resources (http://istheory.byu.edu/wiki/Resource_dependency_theory).

Resource dependence theory characterizes the corporation as an open system, dependent on contingencies in the external environment (Pfeffer & Salancik, 1978). According to this, the power owned by individuals or departments has an effect on the critical resources entering the organization. According to this approach, organizations are not passive to their environment, they are active, indeed. They make decisions that affect the future (Koçel, 2012). According to Goll, Johnson, & Rasheed (2007, p. 210) “the environment is a key variable that helps explain strategic behavior but has largely been ignored in studies examining the relationships between management, strategy, and organizational outcomes.”

Valuable and rare resources provide a means of competitive advantages. Organizational resources can only be a source of competitive advantage or sustainable competitive advantage when they are valuable. Resources are valuable when they enable a firm to formulate and implement strategies that improve its efficiency and effectiveness (Henry, 2011). According to the results of our research, TAV Airports Holding have competitive advantages via their resource dependency/availability based strategies. They create resources for needed sources through the aviation business.

“Managerial, industry and strategy variables made roughly equal contributions to the firm's performances” (Roure & Keeley, 1989, p. 2). “A central theme in resource dependence theory is that organizations will attempt to reduce environmental uncertainty which creates risks for corporate sustainability by negotiating their environment" (Poole & Van de Ven, 2004, p. 132). When organizations feel resource or supply constraints, the resource dependence perspective says they maneuver to maintain their autonomy through a variety of strategies. One strategy is to adapt to or alter their interdependent relationships. This could mean purchasing ownership in suppliers, developing long-term contracts or joint ventures to lock in necessary resources, or building relationships in other ways (Daft, 2010). Strategies also aim to improve corporate performance. A key characteristic of strategic management models is that they attempt to address performance considerations. If the proper resources and control mechanisms are combined, then the firm should generate rents and show better performance (Beamish & Killing, 1997). When we look at TAV Airports Holding's strategies, we may say that the holding implements these strategies according to their objectives, as they are one of the partners of Turkish Ground Services in Turkey. Also, they have group companies to get required resources both for them and also other organizations. They solve their resource dependency problem via the suppliers for critical resources.

Environmental uncertainty faced by organizations increases with the multiplicity of conflicting demands that an organization confronts, requiring a simultaneous increase in the levels of discretion in organizational responses (Poole & Van de Ven, 2004; Pfeffer & Salancik, 1978). For these reasons, organizations need strategies to manage these risks in an optimum way. Resource dependency theory focuses on a firm's need to access resources from other actors in the environment and describes how resource scarcities force organizations to pursue new innovations that use alternative resources (Hessels & Terjesen, 2010). Both an organization's effort to control its own environment and the stronger individuals within the organization, have a partial effect on an organization's strategy and actions, and these actions affect the environment. Behaviors of an organization result in profitability, financial, and customer-driven outcomes (Sözen & Basım, 2012). Resource dependence theory (RDT) represents a scientific approach to explain and manage the dependence of an organization on resources owned by other organizations in its environment, mainly suppliers, shareholders, unions, competitors, public authorities, and other stakeholders[1] (Reiss, 2012). A fundamental assumption of RDT is that dependence on "critical" and important resources influences the actions of organizations and that organizational decisions and actions can be explained depending on the particular dependency situation (Nienhüser, 2008). Resource dependence predicts that organizations will consciously scan the environment and adopt strategic responses to better manage acquisition of resources (Johson, 2009). Both external and internal resources are important for strategic decision-making, but external resources are not influenced by an organization while internal resources are. The best strategies can be evolved with the combination of

[1]http://www.complementor-rm.de/2012/12/prof-reiss-resource-dependence-a-value-net-based-refinement/, June 01, 2014.

both resources by analyzing the threats and opportunities and making the decisions accordingly (Nemati et al., 2010). RDT recognizes the influence of external factors on organizational behavior and, although constrained by their context, managers can act to reduce environmental uncertainty and dependence (Hillman, Withers, & Collins, 2009). Corporations have resource dependences in both products and services. To achieve optimum quality and support achievement of organizational aims, they use outsourcing related strategies. This helps to both focus and improve core competence related capabilities for them.

When managers are trying to decide on selecting resource availability related strategies, they have to consider both threats and opportunities in every choice. Some strategies will create more threats than opportunities depending on the conditions in an organization. In view of risk management, managers should decide on their strategies about resource dependency according to both threats and opportunities in options to getting resources for corporations as follows:

Risk management perspective	Threats	Opportunities	The basic strategies of the corporation to manage resource dependence
High moderate low	• Procurement corporation cannot meet corporation's expectation about services • Increasing cost, hard of quality control, and dependence only a procurement firm are met for outsourcing. Inspection is periodically done to get under control quality Despite this, getting under control quality has been difficult. Sometimes, Dependence to only a procurement firm may increases cost and decreases service quality • Legal costs • Renewing contracts • Liability issues	• Decrease cost • Quality increase • Resource saving • Focusing core competence: Focus on core activities • Gaining collaborative network • Cost and efficiency savings • Reduced overhead • Lean organization • Staffing flexibility • Supporting sustainability • Access to professional, expert, and high quality services • Timely access to needed services	• Partnership entrepreneur and procurement firm agreement • Procurement agreement • Joint ventures • Alliances • Developing organization's core competence

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Risk management perspective	Threats	Opportunities	The basic strategies of the corporation to manage resource dependence
		• Sharing business risks • Increase productivity in all areas • Competitive advantage • Flexibility to change • Make use of the latest technologies • Opportunity to differentiation • Redesigning organization	

Resources have the potential to affect both a company's reputation and profitableness and surely its sustainability. One of the most effective ways found to reduce costs is decreasing resource availability uncertainty in managing resource uncertainty and resource dependency risks.

To survive, firms need to obtain resources from (actors in) the external environment. The focal organization will act to reduce or increase its level of reliance on those actors, through actions such as alliances or joint ventures (Hessels & Terjesen, 2010). The complexity of this interdependency between ecological and human systems means that reef-dependent industries and communities will continue to be under threat for the foreseeable future: partly because some level of ecosystem degradation is inevitable and also because many conservation measures will themselves impart substantial stress on social and economic systems (assuming that there is no nonconsumptive alternative) (Marcha et al., 2010). No company is self-sufficient; In order to survive, they have to get involved with exchanging. The degree of dependency of a company is defined by resources which are important or scarce. Need for resources makes organizations dependent on their environments. Thus, what an organization makes is defined by its own environment (Koçel, 2012).

There cannot be a full rationality for organizations which need sources and this dependence created by needs causes some problems (Sözen & Basım, 2012). Resource dependency approach is such a system that makes a company vulnerable to outsiders and especially highlights the interaction with its environment. The resources that companies need to produce goods or services make them depend on their environment and throughout this context, managerial decisions define the structure of the organizations, and therefore, directly affect performance. According to this approach, importance and accessibility of the resources that a company needs determine the level of dependence and the character of it. Difficulties in demand of inputs and the importance of them differ from one organization to another. For instance, while some resources are easy to access and are of less importance for a company, others are important and difficult to find. In this kind of situation, as a precaution, enterprises prefer to collaborate with their suppliers to gain easy access to the sources anytime they need (Saruhan et al., 2012). This theorem, which embraces an open system approach, states that organizations in an unavoidable relation with their environment include uncertainties and limits. This relation is one of the fundamental variables which forms organizational behaviors (Sözen & Basım, 2012).

Unlike the others, resource dependence theory points out an environment's control over an organization; it also focuses on relations between organizations in the meaning of resources, dependency and power. In this theory, power is defined as a way of managing its environment.

2.2.1 Research Hypotheses and Findings

Risk management tries to seize cost effective options. Also, risk management deals with improving corporate value via managing resource availability risks. In this study, just like the aviation industry, dynamic and variational high-tech industries relate their institutional management of strategic, operational, and financial risks to the resource dependence theory. Through the research, we have gathered information from multiple executives from one of Turkey's leading airport operators, TAV Airports Holding, Turkish Airlines and Sun Express through the use of a semi-structured interview. Since the survey was distributed to high-level executives from the companies mentioned above, the study covers significant amounts of information. The semi-structured interview forms the hypotheses of this study. The second application of the study is formed by 34 questions. The application of the study is supported by the CEO of TAV Airport Holding and also the rest of the enterprise. Findings in accordance to the hypotheses are gathered from high-level executives and organized by the Human Resources Director of the company. As presented above, TAV Airports Holding has implemented resource dependency strategies throughout. . When examining their group of companies, we notice that they create critical resources for other aviation business companies. They have two sides as both users and suppliers to critical resources via their strategies to manage resource-based risks in both their sustainable and competitive way. The study discussed a corporate point of view for managing risks of both resource dependence and transaction cost, in an airport industry context. As a result, it has been predicted that enormous contribution is expected from the study on managing and strategy. We have set seven main hypotheses according to our research problem. Hypotheses of the study are stated below:

Hypothesis 1 Partnerships founded by enterprises have a direct relationship between corporate sustainability and competition. Partnerships provide both competition and sustainability.

Hypothesis 2 While aviation enterprises operate in transporting passenger and cargo as their major activity, their usage of external sources (services, cleaning, ground operations, technical maintenance, logistic, catering) supports them to serve fully and reliably. So, there is a positive relationship seen between external resource usage and major activity objects in an enterprise.

Hypothesis 3 The outsourcing process includes some of the precautions within the scope of risk management. One of the precautions is contracts which mention every single detail of the service whether it is fully received on time or not and if not severe sanctions are enforced. Thus, none of the aviation enterprise suffers from this issue.

Hypothesis 4 Outsourcing operations, which cause an enterprise to lose time, lift the costs, and keep this out of its focus, are assured to be more functional. While an enterprise operates simpler according to its abilities, operations mentioned above provide advantages to the enterprise such as reduced costs, increased quality, saving time, and easier management.

Hypothesis 5 Enterprises guarantee themselves with long-term contracts against the monopolistic supplier. Thus, there is a positive relationship between management of risk and supplier relations which is supported by risk management in the meantime.

Hypothesis 6 Transaction costs are one of the strategic issues taken into consideration in aviation enterprises. There is a positive relationship between transaction cost approach, institutional sustainability and the competition.

Hypothesis 7 Aviation enterprises prefer to make strategic alliances in order to manage outsourcing dependence. Hence, there is a positive relationship between managing resource dependence and strategic alliance.

2.2.2 Findings

Hypothesis 1 Partnerships founded by enterprises have a direct relationship between corporate sustainability and competition. Partnerships provide both competition and sustainability.

TAV Airports Holding

Organizations get together to synergize on various issues. The responses by TAV group are related to organizational partnerships as follows: TAV group has not only achieved profitable partnership but also experienced different fields in the market in order to strengthen themselves for entering new markets. There are several reasons why organizations prefer creating partnerships: decreasing cost of production, improving new technologies, reaching resources or sharing them, splitting the risks that one cannot take, accessing to other's knowledge and experience, and sharing profits are some of them. Types of partnerships include joint ventures, founding a new company within the organization, and strategic partnerships. TAV Airports Holding has an open policy for both local and foreign collaboration opportunities. These can arise from any region and in any service operation, and may even be related to their line of business. These partnerships increase competitiveness for TAV and help them increase momentum of growth and gain focus on high business profitability. They also attract experienced staff to join and contribute to the development of the company. For these reasons, it is always achievable for TAV to enter a new market, evaluate partnership opportunities, and gather experience from various business lines.

Hypothesis 2 While aviation enterprises operate in transporting passengers and cargo as their major activity, their usage of outsourcing (services, cleaning, ground operations, technical maintenance, logistic, catering) supports them to serve reliably.

So, there is a positive relationship seen between external resource usage and major activity of an enterprise.

Tav Airports Holding

TAV, which is one of the leading aviation enterprises in Turkey, state technical maintenance and support services as their primarily dependence, followed by cleaning, logistic, and catering.

THY

THY state that they use external sources for various service activities during flight operations. These outsourcing activities include cleaning, ground operations, technical support, and maintenance. It is mentioned that the enterprise provides some of these activities for itself only for domestic flights, but they outsource all of these activities when it comes to foreign flights.

Sun Express

The enterprise provides most of their source need by outsourcing. Activities include oil, ground service, catering, flight maintenance, ticket sales and check-in software programs, call center, staff uniforms, education, insurance service for both flights and passenger, marketing, as well as cleaning.

Hypothesis 3 The outsourcing process includes some of the precautions within the scope of risk management. One of the precautions is contracts which mention every single detail of the service whether it is fully received on time or not, and if not, severe sanctions are enforced. These enforcements protect the enterprise from having trouble during the process.

THY (Turkish Airlines)

THY, which is a mature company celebrating its 80th anniversary, state that it does not have many problems in the sense of suppliers. Since THY have some very tight contracts in regard to outsourcing, holding partners at a high level or responsibility through sanctions specified in its outsourcing agreements is not problematic. Such an example is a service level agreement for ground services.

TAV Airports Holding

It is stated that there have not been any problems since they have long-term contracts with their suppliers even though some problems like increased costs, lack of qualified personnel, and lack of personnel during the summer cause a decrease in the level of quality sometimes.

Sun Express

It is mentioned that there is no problem seen in any particular instance.

Hypothesis 4 Outsourcing operations, which cause an enterprise to lose time, increase costs and lose its focus, are assured to be more functional. While an enterprise operates more simply according to its abilities, the resources provided from external sources generate advantages such as reducing costs, improving quality, saving time, and easier management.

THY (Turkish Airlines)

Advantages of outsourcing by definition reduce costs, improve the quality, save time, and simplify the organization by focusing only on core competencies. It is also stated that these provide flexibility, the goods, and services that are required, such as communication or transportation from sub-suppliers that are focused entirely on their main work which is aviation.

TAV Airports Holding

Outsourcing for TAV airports offers advantages such as to reducing costs, easing management control, improving quality and saving time.

Sun Express

Almost all the companies outsource some of the services mandatorily. For instance, establishing a refinery and importing petroleum in order to provide aircraft fuel is unthinkable. This product must be outsourced, because it is the best option in terms of cost. Similarly, generating a technical infrastructure to carry out the major maintenance of aircrafts (engine maintenance, C-care maintenance, etc.) can only be affordable for airlines such as THY which already reached a certain fleet supremacy. For other companies, the most convenient way is to get this service from external sources. Because there is a high level of competition among suppliers in many outsourced services, it helps to reduce costs and increase quality through competition. It is hard to see examples in which there is only one supplier. It increases the focus on main business.

Hypothesis 5 Being dependent on a monopolistic supplier is a risky situation in aviation business. Enterprises guarantee themselves through long-term contracts with them. Therefore, there is a positive relationship between supply management and risk management. Risk management supports to manage the supplier relationships.

THY

The company tries not to be dependent to any single supplier. They end up with solid deals, but external factors can increase risks. There can be difficulties due to reasons which are beyond the control of the company, such as fuel prices, exchange rates, global economic crises, aircraft, and its material's prices. However, they are still able to maintain the quality through their agreements. For the auditing problem, it is not often seen in the company since the employees who are experienced, have been trained in a well-rounded manner, and as such, have good quality specialization.

TAV Airports Holding

It is stated that there are problems with costs and timing as regards the sources that are obtained from a single supplier. They also mentioned that the supplier has a bargaining power as a result of being the sole provider, and this, is risky for the business.

Hypothesis 6 Transaction costs are one of the strategic issues taken into consideration in aviation enterprises. There is a positive relationship between transaction cost approach, institutional sustainability and the competition.

THY (Turkish Airlines)

One of the executives of THY stated: THY spins its whole wheel by its own resources. It is indicated that the main reason behind it was the privatization of more than half of the company that occurred in 2004. Thus, THY became a complete business enterprise. Also, THY became a group of companies by strategic partnerships that they have made. Its dependence on the government is ended up. The enterprise has been making a considerable profit for last 6–7 years. Thus, they could share the profit with their stockholders. There are some properties of a company for dealing with transaction costs. THY indicated that they are really good negotiators when it comes to make an agreement. In the meantime, the company has done a very good job with its marketing research. Increasing the brand awareness of THY enables suppliers to seek and to make a business with THY. Other companies offer really profitable contracts to THY in order for them to put THY in their portfolio.

TAV Airports Holding

TAV has some transaction cost-reducing activities which are adjusting shifts of security staff to peak hours and educating its own staff on how to save energy from lightening.

Sun Express

Since Sun Express uses multiple suppliers in its outsourcing operation and its independence behavior on sources as their working nature requires, it is indicated that they do not really face resource uncertainty problems. However, Sun Express evaluates the project that is related to the decision whether to go joint venture or to found a new company within the enterprise. During this evaluation, there are some situations that need to be taken into consideration such as changes in company size, market conditions, laws and regulations, and a decrease in the number of suppliers which already operates in an oligopolistic market (cause an increase in price). At the end of the evaluation, while considering flexible circumstances in the market, if it is realized that outsourcing of some goods and services would cost less without reducing the level of quality, concrete steps will follow upon completion of the evaluation. On the other hand, it is possible to sell service operations generated within the company, if the enterprise figures out that it will be profitable to sell one of the services under the right circumstances.

Hypothesis 7 Aviation enterprises form strategic alliances in order to manage external source dependence. Hence, there is a positive relationship between external resource dependence management and strategic alliance.

THY

Turkish Do & Co Catering, founded by THY in 2008, is a good example. By founding Do & Co, the enterprise reduces its costs of catering and service. While reducing the catering costs of THY, Do & Co also serves 80% of the aviation companies in Ataturk Airport. Turkish Opet, founded in 2010, provided real support in the meaning of oil. Also, Turkish Ground Service, which is a strategic partnership between TAV and THY, only serves THY. It is also mentioned to have reduced employee costs 3 times.

TAV Airports Holding

It is mentioned that TAV has established partnership based companies in order to directly reach the resource for managing external resource dependence.

2.3 Conclusion

Most would agree that the resource-based view of the firm represents a leap forward in strategic management (Henry 2011). Since firms were dependent on the environment for resources, they needed to enact strategies that would allow them to acquire these resources. Therefore, the external environment had already been determined for these firms, and they experienced little strategic choice (http://www.evancarmichael.com/Human-Resources/840/Resource-Dependence-Theory-In-Management.html).

Strategy requires managers both to look forward as well as to be flexible and thus adaptable to change (Zack, 2009). When resource sellers are strategic, they have an incentive to distort these policies to their own advantage, potentially leading to an increased dependence on the resource (Gerlagh & Liski, 2011). Three master trends that have altered the profiles of power and dependence and the methods of managing the organization's environment, are the ubiquity of information and communication technologies (ICTs), the rise of finance, and globalization in trade (Davis & Cobb, 2010). In any situation in which resource acquisition of critical resources is only possible in relations where an organization is dependent on the supplier of that resource or other uncertainties exist, measures have to be taken to cope with these constraints (Mensing, 2013). Also, environmental changes have an effect on managerial issues. As environments change, the composition of boards will change to reflect the shift in resource needs confronting the firm. With a shift from a regulated environment, firms tend to strategically alter the composition of their boards in response to new environmental demands and forces (Hilman et al., 2000). According to Henry (2011), the resource-based view has shaken up strategic management by questioning industry selection and positioning which results in organizations pursuing similar strategies. Instead, this approach emphasizes the organization's own set of resources and capabilities as a determinant of competitive advantage. This study aimed to examine the relationships between corporate risk management strategies and recourse dependence theory in view of resource availability uncertainty with practices in the civil aviation sector. Interviews were organized with leading airport terminal managers and airline managers in Turkey such as TAV Airports Holding, Fraport IC İçtaş Antalya Airport Terminal Investment and Management Inc., Turkish Airlines, and Sun Express. The Method of data collection reflected the qualitative nature of this study. In this study, the interview was comprised of open-ended questions. Also, detailed information and opinions were obtained from top managers through interview questions via both the interview form and other communication tools.

To recapitulate, in view of our research question, we have gathered original information from multiple executives of Turkey's leadings airport operator, TAV Airport and other operators including Turkish Airlines and Sun Express through a semi-structured interview. Semi-structured interview forms were used to test the hypotheses of this study The CEO of TAV Airport Holding supported the study and the Director of Human Resources helped organize data gathering.

The study aimed to bring forth both fresh and holistic views for managing strategies of resource dependency risks. Our findings suggest that risk outsourcing is of critical importance in corporate success. It is also accepted by managers that the strategic management of these risks is necessary for competitive differentiation and corporate sustainability. Our study has the potential to provide insight for future directions and work. As a result, it has been predicted that enormous contribution is expected from the study in regard to management and strategy. As the limitation of our research, more literature review can be done to enhance the literature support. *What the research concluded is that managers' strategies may change according to the resource type and its competitive qualifications.*

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Chapter 3
Enterprise Risk Management in Terms of Organizational Culture and Its Leadership and Strategic Management

Abstract Enterprise risk management is not a kind of one time event. ERM may be considered as a management philosophy, mentality, and as a holistic system. As a leading holistic management system, Enterprise Risk Management will both affect and shape the corporate culture and style of leadership and corporate strategy. Strategy is among other things about risk attitude, risk taking approach, risk culture, and risk appetite. For these reasons, to develop strategy and achieve it, managers have to implement enterprise risk management as a shaped/individualized style. Human factor has a dual role in business, and actually in life—as risk source and risk manager. Humans both create and manage risks. Based on this reality, enterprise risk management takes into consideration organizational behavior, as well as, physiology and sociology.

Keywords Enterprise risk management · Organizational behavior · Organizational culture leadership · Strategic management · Risk culture

3.1 Organizational Culture

3.1.1 Definition of Culture

Culture is a notoriously difficult term to define. In 1952, American anthropologists Kroeber and Kluckhohn, critically reviewed concepts and definitions of culture, and compiled a list of 164 different definitions. Several definitions of culture are seen below;

Culture is the collective programming of the mind which distinguishes the members of one group or category of people from another (Hofstede, 1994).

Culture is a fuzzy set of basic assumptions and values, orientations to life, beliefs, policies, procedures, and behavioral conventions that are shared by a group of people, and that influence (but do not determine) each member's behavior and their interpretations of the "meaning" of other people's behavior (Oatey, 2008).

Culture consists of patterns, explicit and implicit, of and for behavior acquired and transmitted by symbols, constituting the distinctive achievements of human

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groups, including their embodiment in artifacts; the essential core of culture consists of traditional (i.e., historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other, as conditional elements of future action (Oatey, 2012).

The term "culture" refers to the language, beliefs, values and norms, customs, dress, diet, roles, knowledge and skills, and all the other things that people learn that make up the "way of life" of any society. Culture is passed on from one generation to the next through the process of socialization (Browne, 2013). Although there are many aspects of everyday life which are shared by most members of society cultures are neither uniform nor monolithic.

3.1.2 Definition and Importance of Organizational Culture

Organizational culture (OC) is the first concept that is examined as regards its relationships with the organizational justice and organizational citizenship behavior in this study. This section reviews the literature on organizational culture relevant to the development of the research model which is tested in this study (Sezgin, 2009).

In the literature of organizational culture, there are many different descriptions for the culture phenomena. Hofstede (1994), going back to the origin of the concept, stated that every human being has the ability to feel fear, joy, sadness, and love and the need to associate with others. However, culture is what someone does with those feelings and how one expresses those psychological reflections. In the words of Hofstede (1994), culture, "as software of the mind," is patterns of thinking, feeling, and potential acting, which are learned throughout one's lifetime. He also claimed that culture is always a collective phenomenon. So, culture is not inherited with one's genes, but is learned through a socialization process, which takes place, by the interaction of people in a society (Sezgin, 2009).

One of the first things you may be wondering is which type of organizational culture is best. There is, in fact, no one type of organizational culture that is better than another. Different types are better for different types of workplaces, different corporate philosophies, and different types of companies.

Culture is important because, according to Desson and Clouthier (2010) it shapes:

- What the organization considers to be "right decisions"
- What employees consider to be appropriate behaviors and how they interact with each other within the organization
- How individuals, work groups, and the organization as a whole deal with work assigned to them
- The speed and efficiency with which things get done
- The organization's capacity for and receptiveness to change
- The attitudes of outside stakeholders toward the organization. In short, an organization's culture can be supportive of—or hinder external perspectives.

3.1.3 Functions and Liabilities of Organizational Culture

3.1.3.1 The Functions of Organizational Culture

Overall, culture benefits organizations by increasing organizational commitment and the consistency of employee behavior. It also aids employees by reducing ambiguity. There are five basic functions of culture that help achieve these benefits according to Robbins and Judge (2015):

- Defines Boundaries; Culture creates distinctions between one organization and another.
- Identity; Culture conveys a sense of identity for its members.
- Commitment; Culture generates commitment to something that is larger than one's own self-interest.
- Social Stability; Culture is the social glue that helps hold the organization together by providing appropriate standards for socially acceptable employee behavior.
- Control Mechanism; Culture serves as a control mechanism that guides and shapes the attitudes and behavior of employees. It helps employees make sense of the work environment: it defines the rules of the game. In today's organizations, where direct and close managerial control appears to no longer be an option, culture is one of the ways to enforce organizational standards and to maintain effectiveness.

3.1.3.2 Liability of Organizational Culture

Culture as a Liability. Because culture is difficult to change in the short run and defines proper behavior, it may create barriers in the organization (Robbins and Judge, 2015).

- Barrier to Change; When the cultural values are not aligned with those that will increase an organization's effectiveness in dynamic environments, they can create a barrier to implementing the necessary organizational changes.
- Barrier to Diversity; There is a managerial conflict that exists because of culture. Organizations seek to hire people of diverse backgrounds in order to increase the quality of decision-making and creativity. But strong cultures, by their very nature, often seek to minimize diversity. Balancing the need for diversity with the need for a strong culture is an ongoing managerial challenge.
- Barrier to Acquisitions and Mergers; One of the primary concerns in mergers and acquisitions in recent years has been the cultural compatibility between the joining firms as the main cause for the failure of these combinations has been cultural conflict.

3.1.4 Elements of Organizational Culture

There are several elements of organizational culture. Some of them appear while others do not. Below, we demonstrate some elements of organizational culture.

3.1.4.1 The Symbols

The cultural symbol can be represented by an object, an event or a formula that serves as an instrument which delivers a message of specific significance within the company. Through cultural symbols, there are ways—transmitted by the employees—that reflect the philosophies and values, ideals, beliefs, and shared expectations. For example, a symbol may itself be the naming of the organization which represents an essential element trough its activity. The naming of competitive firms become, in time, symbols for what they represent in the economy. The emblems or logos of the companies are often represented as major symbols for the employees and customers. A symbolic valuable part is presented as way of decoration, furniture, pictures, colors, etc. used in the organization. In this way, we can affirm that the cultural symbols serve for expressing some conceptions and to promote certain values and behaviors in the firm. They contribute to the thinking orientation, behaviors, and employees' actions, crystallizing some organizational behavior, typical, or predominantly, at the company level (Tureac, 2005).

3.1.4.2 Organizational Values

Values reflect what we feel is important. Organizations may have core values that reflect what is important in the organization. These values may be guiding principles of behavior for all members in the organization. The core values may be stated on the organization's website. For example, an organization could state that their core values are creativity, humor, integrity, dedication, mutual respect, kindness, and contribution to society.

3.1.4.3 Language, Jargons and Metaphors

These elements of organizational culture play an important role in identifying a company's culture. While language is a means of universal communication, most business houses tend to develop their own unique terminologies, phrases, and acronyms. For instance, in organizational linguistics code, "Kremlin" may mean the headquarters; in Coal India Limited, the acronym J.I.T. (Just In Time) was jokingly used to describe all the badly planned fire-fighting jobs. Such specialized usage of words and phrases makes an organization's language incomprehensible to those who do not belong to that culture. And thus, language becomes a means of identifying the members from non-members (Shukla, 2016).

3.1.4.4 Organizational/Communication Climate

The atmospheres of either support or hinderance that people feel within the organization itself; Do they feel safe? Protected? Appreciated? Are they confidant that their opinions count? Do they know that when they have something to say, they have a way to say it so that it will be heard, and that people will listen and take their ideas or comments seriously? The overall organizational climate also includes the organization's communication climate—how free people feel to communicate at work, especially about bad news or negative information. When people feel they cannot communicate bad news for fear of reprisal, the organization loses valuable information about how it operates.

3.1.4.5 Heroes

A hero is a figure who exemplifies the deeds, character, and attributes of a strong culture. Heroes are role models for employees to follow. Sometimes heroes are real and they demonstrate how to do the right thing within the organization (Sine, 2013).

3.1.4.6 Behavioral Norms

This is one of the most important elements of organizational culture. They describe the nature of expectations which impinge on the members' behavior. Behavioral norms determine how the members will behave, interact, and relate with each other. The group norms determine whether or not one can openly disagree with a superior, or whether or not people can be friendly with employees in other departments. The behavior of employees is an important parameter while promoting organizational culture. The enforcement of behavioral norms also weeds out those members who do not "fit" in the organization (Shukla, 2016).

3.1.4.7 The Rituals and the Ceremonies

In close connection with the organizational norms are rituals. Trough these, some events as well as the progress are programmed, promoting, and celebrating these values and major behaviors from the framework of organizational culture. A ritual represents a set of planned actions, with a dramatic content, giving a cultural expression to some organizational values, for consolidating them within the organization (Tureac, 2005).

3.1.4.8 Slogans

A slogan is a phrase or sentence that succinctly expresses a key cooperate value. Many companies use a slogan or saying to convey special meaning to employees (Sine, 2013).

3.1.5 Types of Organizational Culture

While there is no single "type" of organizational culture, some common models provide a useful framework for managers.

3.1.5.1 The Involvement Culture

This emphasizes an internal focus on the involvement and participation of employees to adapt rapidly to the changing needs of the environment. This culture places high value on meeting the needs of employees and the organization may be characterized by a caring family-like atmosphere (Sine, 2013).

3.1.5.2 Normative Culture

Normative culture is your everyday corporate workplace. Normative culture is very cut and dry, following strict regulations and guidelines that uphold the policies of the organization. Employees rarely deviate from their specific job role, break rules, or do anything other than what is asked of them. These types of organizations run a tight ship and are not suited for every type of employee.

3.1.5.3 Elite Culture

An elite culture hires only the best because it' is always pushing the envelope and needs employees to not merely keep up, but lead the way (think Google). Innovative and sometimes daring, companies with an elite culture hire confident, capable, competitive candidates. The result? Fast growth and making big splashes in the market. Companies with elite cultures are often out to change the world by untested means. Their customers are often other businesses that need their products to remain relevant and capable in a new environment—one often of the elite-cultured company's creation (Paton, 2015).

3.1.5.4 The Consistency Culture

Uses an internal focus and a consistency orientation for a stable environment. Following the rules and being thrifty are valued, and the culture supports and rewards a methodical, rational, orderly way of doing things (Sine, 2013).

3.1.6 Models of Organization Culture

There is not only one model for organization culture. Many authors found several different models. Following we will demonstrate some of these models.

3.1.6.1 Handy's Model

Handy—philosopher, educator, economist, and business guru— has addressed the organizational phenomena that contribute to both the successes and downfalls of business organizations. His work, which identifies four cultures (i.e., power, role, task, and person), provides a framework for examining and understanding organizational culture. Each type has its own unique characteristics, each can be effective, and each can exist along with the others. As a framework for management within healthcare organizations, each of the four cultures contributes to creating a healthy workplace.

Power Culture

A power culture is ruled by a central power source, such as an owner or President, and is most frequently found in entrepreneurial organizations. Trust and personal communication are important characteristics, thus it is important for employees to have interpretations of the job that are similar to those of the leader. Minimal bureaucracy exists, so that staff function with few rules, policies, and procedures. While applications within healthcare organizations have been limited, modified applications could make important contributions to the empowerment of nurses and other staff members in healthcare settings (Kane-Urrabazo, 2006).

Role Culture

Role Culture refers to a highly defined structured organization in which employees have specified delegated authorities and are offered security and predictability. Handy describes the structure of this type of organization as a "Greek temple" since this culture works by logic and rationality. Organizations with a role culture put their strengths in their pillars, their roles, and areas of expertise. The pillars often include the finance department and the purchasing department, and the interaction between them is regularly controlled by rules and procedures, which are the major methods of influence (Cacciattolo, 2014).

Task Culture

Task Culture, on the other hand, is job oriented and present in organizations where individuals work as a team and power is derived only from expertise and only when required. Handy represents this type of organization as a "net" in which much of the power and influence lies at the "interstices" of the net. The task culture puts complete emphasis on getting the job done and hence, this type of culture tries to assemble the suitable resources, the right employees at a suitable rank in the organization, and to let them knuckle down. This type of culture is very compliant; it is the type in which managers in middle, and first levels like to work (Cacciattolo, 2014).

Person Culture

The person culture, which is uncommon, exists only to serve and assist the individuals within it. While a healthcare organization cannot exist solely on this idea, there may be some appropriate applications. One prime example is within a hospital's mentoring system. Initially, the student is chiefly concerned with acquiring the personal skills necessary to survive in a particular workplace, while the mentor may only be serving in that capacity in order to earn points on a clinical ladder towards promotion. Each is gaining something from the situation. While some actions may be promoting staff interests and growth, these are supported with hope that the ultimate outcome will aid in the enhancement of organizational goals, such as shifting away from a personal culture and toward one of more unity, such as the role or task cultures (Kane-Urrabazo, 2006).

3.1.6.2 Geert Hofstede's Model

Hofstede's "dimensions of culture" were derived mainly from his extensive organizational anthropology research in the late 1970s and early 1980s—he scores are general comparisons of values in the countries and regions he studied and can vary greatly within each country. Although Hofstede's work is somewhat dated and has rightly been criticized on a number of grounds, the dimensions are useful in understanding that members of various societies are likely to behave in different ways in a given situation (Tamas, 2007).

The first dimension, power distance, refers to the power inequality between superiors and subordinates. In high power distance organizations, organizational hierarchy is obvious. There is a line between managers and subordinates. Different from high power distance organizations, low power distance organizations tend to have a flat organizational structure. The second dimension, uncertainty avoidance, refers to people's tolerance of ambiguity. In high uncertainty avoidance organizations, there are more written rules in order to reduce uncertainty. In low uncertainty avoidance organizations, there are fewer written rules and rituals. The third dimension, individualism–collectivism, refers to how people value themselves and their groups/organizations. People with high individualistic values tend to care about self-actualization and career progress in the organization, whereas people with low individualistic values tend to value organizational benefits more than their own interests. The fourth dimension, masculinity (MAS), defines the gender roles in organizations. In high MAS organizations, very few women can get higher level and better-paying jobs. In low MAS organizations, women can get more equitable organizational status (Wu, 2006).

Long versus short-term orientation relates to the significance attached to the future versus the past and present. In long-term orientation societies, individuals value savings and determination, whilst short-term-oriented societies respect tradition, nepotism, and reciprocation of donations (Cacciattolo, 2014).

3.1.6.3 Deal and Kennedy's Four Generic Cultural Models

Deal and Kennedy measured organizations in respect of feedback and risk, and they used these factors in order to suggest four classifications of culture: "The Tough-Guy Macho Culture," "The Work Hard/Play Hard Culture", "The Bet your Company Culture," and "The Process Culture."

The Tough-Guy Macho Culture

This culture contains a world of individualists who enjoy risk and who get quick feedback on their decisions. This is an all-or-nothing culture where successful employees are the ones who enjoy excitement and work very hard to be stars. The entertainment industry, sports teams, and advertising are great examples of this cultural type (Sine, 2013).

The Work Hard/Play Hard Culture

In the Work Hard/Play Hard culture, few risks are taken and feedback is rapid. This is typified in large organizations which strive for high-quality customer service. In the short term it can be an exciting culture in which to operate, but the sense of excitement may be difficult to maintain.

The Bet Your Company Culture

Here, the culture is one in which decisions are high risk but employees may wait years before they know whether their actions actually paid off. Pharmaceutical companies are an obvious example of this culture, as are oil and gas companies, architectural firms, and organizations in other large, capital-intensive industries (Sine, 2013).

The Process Culture

In this culture, feedback is slow, and the risks are low. Large retailers, banks, insurance companies, and government organizations are typically in this group. No single transaction has much impact on the organization's success and it takes years to find out whether a decision was good or bad.

3.1.7 Relationships of Organizational Culture with Other Concepts

According to Ehtesham et al. (2011) the key to good performance is a strong culture. They further maintain that due to difference in organizational culture, same strategies do not yield the same results for two organizations in the same industry and in the same location. A positive and strong culture can make an average individual perform and achieve brilliantly whereas a negative and weak culture may demotivate an outstanding employee to underperform and end up with no achievement. Therefore, organizational culture has an active and direct role in performance management. Murphy and Cleveland believe that research on culture will contribute to the understanding of performance management. Magee contends that without considering the impact of organizational culture, organizational practices such as performance management could be counterproductive because the two are interdependent and change in one will impact the other.

3.2 Leadership

Over the past centuries, many scholars have provided countless definitions of leadership These definitions have made a significant contribution to the current literature on leadership. However, it is difficult to express the definition of leadership with all traits, which is why a variety of research and studies have been carried out by scholars—in order to propose a comprehensive definition of leadership (Ayup, Manaf, & Hamzah, 2014).

The concept of leadership is not only the main subject of management science and business life, but is also related to psychology, sociology, politics, military, and philosophical and historical fields. The word “leader” means a person who shows direction and trains (Yeşilyurt, 2007). According to Tannenbaum, leadership is a power of impact in human relations. Leadership theory shows that successful leaders adapt their leadership styles depending on the readiness of the followers to perform in a given position. Readiness is linked to how able, willing, and confident followers are in performing required tasks (Tain, Tsai, Fey, & Robert, 2006). Robbins (1993) defines leadership as the ability to impact a group in line with the achievement of goals. A leader is a desired person who has many features and stance (Hsiu Chin, 2004). Employees are the valuable part of the organization. To become successful and innovative, an organization should provide chances to act in novel ways. Leadership is a process to impress people to get desired results (Sumbal, Hira, Sadaf, & Ramla, 2013).

3.2.1 Leadership History

To study leadership, one could go back to the origins of civilization itself. There is one common matter among Egyptian rulers, Greek heroes, and biblical patriarchs–leadership. As mentioned before, there are countless definitions, descriptions, and approaches regarding leadership and being a leader. Nevertheless, there are some similarities and resemblance in the definitions to finalize that leadership is an occupation of influence, and the power to persuade observance (Wren, 1995). In the 1930s, scholars of social science began to evaluate the extent of leadership. According to this research, leadership is the thing done by people, and therefore it can be learnt. Over time, organizations have evolved from those with an authoritarian style to ones with a more comfortable work environment, and then to organizations where people are empowered, encouraged, and supported in their personal and professional growth (Stone & Patterson, 2005). The premise of leadership theory on management and business was Max Weber who was a German sociologist. He “observed the parallels between the mechanization of industry and the proliferation of bureaucratic forms of organization” (Morgan, 1997, p. 17). He noted that the bureaucratic form routinized the process of administration in the same manner that the machine routinized production. As mentioned before, the scope of leadership includes management and business. However, there are countless people who study leadership in the academe.

Four Stages of Leadership Theory and Research:

According to Clegg, Hardy, and Nord (1999), the scope of leadership is extensive, for these leadership theories were suggested in time. The theories of leadership in this chapter are linked to a particular time period. Here are the following leadership theories in terms of their dominated in time.

- First is the trait approach that prevailed in the late 1940s.
- Second is the style approach that dominated between trait approach and the late 1960s.
- Third is the situational or contingency approach, whose heyday was from the late 1960s to the early 1980s.
- The last one–the new leadership approach–has great impact on leadership studies and research since the early 1980s.

These leadership approaches were not new but rather updates of former leadership approaches.

3.2.1.1 Trait Theories

Trait theories of leadership studied by scholars attempted to describe a person physiologically meaning their appearance, i.e., height, and weight; demographically, for example their age, education, and social background; personality, referring to aspects such as self-confidence and aggressiveness; intelect—intelligence, decisiveness, judgement, and knowledge; task related, for example, in relation to achievement, drive, initiative and persistence; and social characteristics like sociability and cooperativeness with leader emergence and leader effectiveness. It is quite clear that prospering leaders definitely have some interests, abilities, and personality traits which differ from others who have less effective ones. According to research carried out in the last three decades, the essential traits of prospering leaders have been described. These traits are not responsible solely to identify whether a person will be a successful leader or not, but they are essentially seen as preconditions that endow people with leadership potential (Clegg et al., 1999).

Trait Approach to Leadership

As stated before, trait approach of leadership identified a set core of traits of successful leaders. Part of the trait approach is the “Great Man” theory which is a way of identifying the main characteristics of successful leaders.

It was believed that through this approach critical leadership traits could be isolated and that people with such traits could then be recruited, selected and installed into leadership positions. This approach was common in the military and is still used as a set of criteria to select candidates for commissions. The problem with the trait approach lies in the fact that almost as many traits as studied were identified. After several years of such research, it became apparent that no consistent traits could be identified. Although some traits were found in a considerable number of studies, the results were generally inconclusive. Some leaders might have possessed certain traits but the absence of them did not necessarily mean that the person was not a leader. Although there was little consistency in the results of the various trait studies, some traits did appear more frequently than others, including technical skills, friendliness, task motivation, application to task, group task supportiveness, social skill, emotional control, administrative skill, general charisma, and intelligence. Of these, the most widely explored has tended to be "charisma" (Clegg et al., 1999).

Leadership Traits

Although research on implicit leadership theories have extensively examined people's beliefs about the traits and abilities that characterize a leader (Hodgkinson & Ford, 2010), they have done so often without considering what traits people actually want their leaders to possess. In addition to asking people what traits they believe are "characteristic" of a leader, it is important to consider what traits they desire in an ideal leader. In all, leaders greatly affect many important employee outcomes, and discrepancies between the traits subordinates desire and the traits superiors possess, may ultimately lead to negative organizational outcomes. Effective leadership plays a significant role on how the leaders respond to employees in the work environment.

There are many descriptions of character, but a leader's character goes beyond ethical behavior. The word itself comes from the Greek for engraved or inscribed. According to Bennis an article, there are the skills that are held by leaders. These are:

- communication skills,
- interpersonal skills,
- flexibility,
- decision-making,
- value diversity,
- business acumen,
- problem solver/innovator,
- results driven, and
- confidence.

Maxwell (1999) said "If you can become the leader you ought to be on the inside, you will be able to become the person you want on the outside. People will want to follow you. And when that happens, you will be able to tackle anything in this world." Maxwell (1999) also stated that a leader must own some traits which include: character, charisma, commitment, communication, competence, courage, discernment, focus, generosity, initiative, listening, passion, positive attitude, problem solving, relationships, responsibility, security, self-discipline, servanthood, teachability, and vision.

In a different manner than Maxwell, Stogdill (1974) distributed people's features as traits and skills as follows:

Traits

- Adaptable to situations
- Alert to social environment
- Ambitious and achievement orientated
- Assertive
- Cooperative
- Decisive
- Dependable
- Dominant
- Energetic
- Persistent
- Self-confident
- Tolerant of stress
- Willing to assume responsibility

Skills

- Clever Conceptually skilled
- Creative
- Diplomatic and tactful
- Fluent in speaking
- Knowledgeable about group task
- Organized
- Persuasive
- Socially skilled

Great Man Theory

Earlier leadership was thought of as a quality usually seen in males, and thus, the theory was named the great man theory. However, with the emergence of many great female leaders, the theory was renamed the great person theory. Similar to the trait approach, there are core traits held by all leaders. These are:

- Achievement drive
- Leadership motivation
- Honesty and integrity
- Self-confidence
- Cognitive ability
- Knowledge of business
- Emotional maturity
- Others, such as charisma, creativity, and flexibility (Stone & Patterson, 2005).

3.2.1.2 Behaviorist Theories

On the contrary, Clegg et al. (1999) state that behaviorist theories concentrate on what leaders actually do rather than on their qualities. Different patterns of behavior are observed and categorized as styles of leadership. This area has probably attracted the most attention from practicing managers. Emphasis on leadership style from the late 1940s signaled a change of focus from the personal characteristics of leaders to their behavior as leaders. As much as a change in what was to be studied, this shift denoted an alteration in the practical implications of leadership research. The trait approach drew attention to the kinds of people who become leaders and in the process had great potential for supplying organizations with information about what should be sought after when selecting individuals for present or future leadership positions. Since leader behavior is capable of changing, focus on the behavior of leaders carried with it an emphasis on training rather than selecting leaders. Some studies on behaviorist approaches are:

- Ohio State University Researches
- McGregor's Theory X and Theory Y Managers
- Blake and Mauton's Managerial Grid
- Michigan State University Studies.

Ohio State University Researches

There are a number of possible exemplars of the style approach but arguably the best known is the stream of investigations associated with an approach generated by a group of researchers at Ohio State University, one of whose main figures was Stogdill. Not only did the researchers generate a large number of studies, but the concepts and methods they employed were widely used well beyond the confines of the Ohio group, an influence that was still felt in the 1990s. The chief approach taken by the Ohio researchers was to administer questionnaires to the subordinates of leaders in one or a number of organizations, which in the early years tended to be military organizations. The questionnaire was comprised of a battery of items, each of which was statement about a leader's behavior. Each subordinate was asked to indicate how well each statement reflected the behavior of his or her leader. Subordinates' replies were aggregated to provide an overall score for each leader on each of a number of aspects of leader behavior. The results of the trait studied were unconvincing. Traits, among other things, were hard to measure.

McGregor's Theory X and Theory Y Managers

After the publication of the late Douglas McGregor's classic book The Human Side of Enterprise in 1960, attention shifted to "behavioral theories." McGregor was a teacher, researcher, and consultant whose work was considered to be "on the cutting edge of managing people. He influenced all the behavioral theories, which emphasize focusing on human relationships, along with output and performance. The two main components of leader behavior that Ohio State researchers tended to focus upon were dubbed consideration and initiating structure. The former expresses a leadership style in which leaders are concerned about their subordinates, are trusted by their subordinates, are responsive to them and promote camaraderie. Initiating structure refers to a style in which the leader defines closely and clearly what subordinates are supposed to do and how, and actively schedules work for them. Leaders'scores on these two styles, were then related to various measures of outcome like group performance and subordinate job satisfaction. Early findings tended to be that consideration was associated with better morale and job satisfaction among subordinates but lower levels of performance. Initiating structure tended to be associated with poorer morale but better group performance. Later, research suggested that high levels of both consideration and initiating structure were the best leadership style.

McGregor summarized two contrasting sets of assumptions made by managers in industry.

Theory X managers believe that

- The average human being has a connatural dislike of work and will avoid it if possible.
- Because of this human characteristic, most people must be coerced, controlled, directed, or threatened with punishment to get them to put forth adequate effort to achieve organizational objectives.
- The average human being prefers to be directed, wishes to avoid responsibility, has relatively little resolution and wants security above all else.

Theory Y managers believe that

- The expenditure of physical and mental effort at work is as natural as play or rest, and the average human being, under proper conditions, learns not only to accept but to also seek responsibility.
- People will exercise self-direction and self-control to achieve objectives to which they are committed.
- The capacity to exercise a relatively high level of imagination, ingenuity, and creativity in the solution of organizational problems is widely, not narrowly, distributed in the population, and the intellectual potential of the average human being is only partially utilized under the conditions of modern industrial life (Schermerhorn, 2014).

Blake and Mouton's Managerial Grid

The Managerial Grid developed by Robert Blake and Jane Mouton's Theory focuses on task and employee orientations of managers, as well as combinations of concerns between the two extremes.

A grid with concern for production on the horizontal axis and concern for people on the vertical axis plots five basic leadership styles. The first number refers to a leader's production or task orientation; the second, to people or employee orientation. **Blake and Mouton's** attitudinal dimensions propose that "team management" a high concern for both employees and production is the most effective type of leadership behavior (Egner, 2009).

Michigan State University Studies

Another substantial group of studies is serial research that made contribution to improve behavioral leadership theory. This study was carried out at the University of Michigan under Rensis Likers's supervision in 1947. The study aimed to determine factors that provide the group productivity or effectiveness and member satisfaction (Luthans, 2011). In these studies, criteria such as effectiveness, job satisfaction, employee turnover, complaints, costs, and motivation were used (Koçel, 2014). These studies aimed to locate behavioral characteristics of leaders that appeared to be related to measure performance effectiveness. There are two dimensions of leadership behavior—employee-oriented and production-oriented.

Rensis Likert System 1–4

Agardwal (1982) defines a Rensis likert System scale (1–4) model focusing on group managers' and leaders' behavior. This is a model based one used in the University of Michigan's research. It defines four types of a leader's behavior.

1. Exploitative authoritative

In this style, the leader has a low concern for employees and utilizes threats and other fear-based methods to attain conformance. Communication is almost entirely downwards and the psychological concerns of employees are ignored. People should work more than the specified work hours (Agardwal, 1982).

2. Benevolent authoritative

This system is less controlling than the exploitative authoritative system. Under this system motivation is based on the potential for punishment and relatively on awards. The decision-making area is expanded by allowing subordinates to be included in policy-making but is limited by the structure given to them from top management. Major policy decisions are still left to those at the top, who have some awareness of the problems that happen at lower levels. Mainly downward communication occurs, from supervisors to employees with little upward communication, resulting in subordinates to be somewhat suspicious of communication coming from the top (Agardwal, 1982).

3. Consultative system

This theory is very closely linked to the human relations theory. Employees are motivated through rewards, occasional punishments, and very little involvement in making decisions and objectives. Lower level employees have the freedom to make specific decisions that will influence their work. Upper management has control over policies and general decisions that influence the organization (Agardwal, 1982).

4. Participative system

Likert's management systems claim that the participative system was the most effective system for management. This system interferes with the human resources theory. It encourages genuine participation in making decisions and setting goals through free-flowing horizontal communication and tapping into the creativity and skills of workers. Managers are fully aware of the problems that progress within the lower levels of the organization. All organizational goals are accepted by all employees because they were set through group participation. There is a high level of responsibility and accountability of the organizational goals among all employees. Understanding the leadership approach process, the third theory is situational-contingency approach (Agardwal, 1982).

3.2.1.3 Situational Leadership Contingency Theory

Situational theories are focused on leadership occurrence cases. The assumption of contingency leadership theory is that specific situations require a different leadership approach. Nevertheless, it also behoves leadership styles at different levels in the same corporation (Koçel, 2014). Contingency—or situational theory of leadership—emphasizes that effectiveness of leadership is dependent on matching a leader's style to the right situation. The Fiedler Contingency Model was created in the mid-1960s by Fred Fiedler. This theory was originally progressed by Fiedler after studying various leaders in different contexts, but overwhelmingly in the military. Situational theory erroneously assumes that styles are behaviors that cannot be impressed or altered. There are three situations as defined by contingency theory—leader–member relation, task structure, and positional power (Gupta, 2009).

Components of contingency approaches place situational factors toward the center of any understanding of leadership. Typically, they seek to specify the situational variables which will moderate the effectiveness of different leadership approaches. This development parallels the drift apart from universalistic theories of organization in the 1960s and the gradual adoption of a more particularistic framework which reflected an "it depends" style of thinking (Lawrence & Lorsch, 1967).

Fiedler's Contingency Theory

Fiedler's approach has passed a number of revisions and changes of emphasis over the years. At its heart is a measurement instrument known as the least preferred coworker scale, which purports to measure the leadership orientation of the person completing it. It comprises a number of pairs of adjectives with each pair being separated by an eight-point scale. The respondent is asked to think about the person with whom they have least liked working, whether currently or in the past, and then to describe that person in terms of each of the pairs of adjectives. Examples of the pairs of adjectives are: pleasant–unpleasant; friendly-unfriendly; rejecting–accepting; and distant–close. Each respondent's reply to each pair is scored one to eight, with a score of eight indicating a positive view of the least preferred coworker and a score of one indicating a negative view. Fiedler claims that the higher people's least preferred coworker scores are, the more relationship motivated they are as leaders. This implies that they are primarily concerned with maintaining good relationships with subordinates and are considerate. Leaders with low LPC scores are deemed to be task-motivated, that is, they are preoccupied with duty achievement. Despite an apparent similarity with the Ohio research consideration and starting framework pairing, it should be appreciated that for Fiedler there is a key difference between his and other conceptualizations like that of Ohio, whereas for the latter, there was a focus on consideration and starting framework as contrasting styles of leadership. For Fiedler, relationship and task motivation are personality attributes, a conceptualization which ties his work much more with earlier trait approaches. From results relating to countless studies carried out in a variety of work and nonwork settings, Fiedler figured out that the effectiveness of relationship and task motivated leaders varied pursuant to how favorable the situation was to the leader. More recently, this notion of situational favourableness has been dubbed "situational control". This idea has three components- leader–member relations; task structure; and position power. Fiedler's accumulated evidence led him to propose that task oriented leaders are most effective in high control and low control situations, meaning relationship-oriented leaders perform best in moderate control situations. The practical implication of Fiedler's work was that since a person's personality is not readily subject to change, it is necessary to change the work situation to fit the leader rather than the other way around (Clegg et al., 1999).

Path-Goal Theory

The path–goal theory of leader effectiveness was improved to accommodate prior findings and abnormalities resulting from empirical investigations of the effects of leader task orientation and leader person orientation on subordinate motivation and performance. Prior to the introduction of the theory, the leadership literature was ruled by concerns with and research on, task and person orientation. The most frequently used measures were the Ohio State leader starting structure and leader consideration scales (Stogdill & Coons, 1958). The findings were inconsistent;

Some studies demonstrated a positive relationship between these two variables and leader, work-unit, or subordinate performance and satisfaction. Some studies noticed no such relationships, or a positive relationship between only one of the two leader behaviors and dependent variables. Further, several studies demonstrated that negative relationships between leader starting structure and various indicators of employee satisfaction. It is of interest that the relationship between formally appointed superiors and subordinates in their day-to-day functioning is related with how formally appointed superiors influence the motivation and satisfaction of subordinates House, (1996).

Vroom–Yetton Contingency Model

This model of leadership behavior is of importance to managers because it was developed as a model of how leaders should make decisions if they are to be effective. If valid, the model could be used as a tool to aid in the selection of appropriate decision-making processes for different situations, resulting in increased decision and organizational effectiveness. The full Vroom–Yetton contingency model deals with individual problems and group problems (Field, 1979). There are five decision types. In order of participation from least to most, they are:

1. *AI—autocratic Type1*: Decisions are taken by the leader. The leader makes the decision on their own with whatever information is available.
2. *AII—Autocratic Type 2*: The decision is still taken by the leader alone, but the leader gathers information from the followers. Followers play no other role in the decision-making process.
3. *CI—Consultative Type 1*: The leader seeks input from select followers individually based on their relevant knowledge. Followers do not meet each other, and the leader's decision may or may not reflect followers' influence.
4. *CII – Consultative Type 2*: This type is s*imilar* to CI, except the leader shares the problem with relevant followers as a group and seeks their ideas and suggestions. The followers are included in the decision, but the leader still makes the final decision.
5. *GII—Group-based Type 2:* The entire group works through the problem with the leader. A decision is made by the followers in collaboration with the leader. In a GII decision, leaders are not at liberty to make a decision on their own.

3.2.2 Leadership Styles

There are many different leadership styles. These are laissez-faire, aurocratic, participative, transactional and transformational leadership. These styles of leadership have no similar impact on employees. In different situations, more than one leadership style can be implemented. For effective leadership, combination of all these leadership styles must be integrated (Maqsood, 2013).

3.2.2.1 Laissez-Faire

Johnson defines a laissez-faire leader as having deprivation of supervision and fails to provide regular feedback to those under his supervision. Highly experienced and trained employees requiring little supervision fall under the laissez-faire leadership style. However, not all employees have those characteristics. This leadership style blocks the production of employees requiring supervision. The laissez-faire style produces no leadership or supervision efforts from managers, which can lead to poor production, lack of control, and increasing costs. In this style, the leader permits the employees to make the decisions. However, the leader is still liable for the decisions that are made. This is used when employees are able to analyze the situation and describe what needs to be done and how to do it. This is not a style to utilize for blaming others when things go wrong, but rather, to be used when you fully trust and have confidence in the people below you.

3.2.2.2 Autocratic

Johnson explains that the autocratic leadership style allows managers to make decisions alone without the input of others. Managers have some authority over employees. No one challenges the decisions of autocratic leaders. Countries such as Cuba and North Korea function under the autocratic leadership style. This leadership style benefits employees who need close supervision. Creative employees who disperse in group functions hate this leadership style. This style is used when leaders tell their employees what they want done and how they want it accomplished, without getting advice from their followers. Some of the appropriate conditions in which to use this style is when you have all the information to solve the problem, you are short on time, and/or your employees are well motivated.

3.2.2.3 Participative

Johnson defines the democratic leadership style as participative leadership values with the input of team members and peers, with the responsibility of making the final decision resting on the participative leader. Participative leadership boosts employee morale because employees make contributions to the decision-making process. It causes them to feel as if their opinions matter. When a company needs to make changes within the organization, the participative leadership style helps employees accept changes easily because they play a role in the process. This style meets challenges when companies need to make a decision in a short period of time, and involves the leader and one or more employees in the decision-making process. However, the leader maintains the final decision-making authority. Using this style is not a sign of weakness, rather it is a sign of strength that employees will respect. This style is normally used when the leader has part of the information, and the employees have other parts. Using this style is of mutual benefit as it allows employees to become part of the team and allows the leader to make better decisions. Even if the leader has all the answers, gaining different perspectives and diversity of opinions normally provide greater creativity than insularity.

3.2.2.4 Transactional Theory

According to Johnson, managers using the transactional leadership style get to perform certain tasks and provide rewards or punishments to team members based on performance results. Managers and team members set predetermined goals together, and employees agree to follow the direction and leadership of the manager to accomplish those objectives. The manager possesses power to review results and educate or correct employees when team members fail to meet goals. Employees receive awards, such as bonuses, when they attain goals.

The approach emphasizes getting things done within the umbrella of the status quo; almost in opposition to the goals of the transformational leadership. It is considered to be a "by the book" approach in which the person works within the rules. As such, it is more commonly seen in large, bureaucratic organizations where political considerations are part of daily life.

3.2.2.5 Transformational Theory

The version of transformational leadership theory that has generated the most research was formulated by Bass and his colleagues. They define transformational leadership primarily in terms of the leader's effect on followers, and the behavior used to achieve this effect. The followers feel trust, admiration, loyalty, and respect toward the leader, and they are motivated to do more than they originally expected to do. The underlying influence process is determined in terms of motivating followers by making them more aware of the importance of task outcomes and inducing them to transcend their own self interest for the sake of the organization. Transformational leadership is differentiated from transactional leadership, which includes an exchange process to motivate follower compliance with leader demands and organization rules.

Different behaviors are included in transformational and transactional leadership. The behaviors are restrained with the Multifactor Leadership Questionnaire (MLQ), which is usually administered to subordinates who rate how frequently their leader uses each type of behavior. The content of the MLQ has varied somewhat over time, and additional transformational and transactional behaviors have been added to the recent versions. Transformational leadership includes individualized consideration, intellectual stimulation, idealized influence (charisma), and inspirational motivation, as well as contingent reward behavior, passive management by exception, and active management by exception.

Most factor studies support the proposed distinction between transformational and transactional behavior, but a number of discrepancies have been found. Some research found that positive reward behavior loads on the transformational factor instead of the transactional factor. Other studies noticed that laissez-faire leadership and passive management by exception form a separate factor rather than loading on transactional leadership. There is considerable evidence that transformational leadership is effective. Most survey studies using the MLQ and similar questionnaires find that transformational leadership is positively connected to indicators of leadership effectiveness such as subordinate satisfaction, motivation, and performance. Descriptive studies based on interviews and observation also found that transformational leadership is effective in a variety of different situations. Transformational leadership is a process of transforming an organization's behavior, culture, and the individuals; simultaneously transforming the leader himself. Transformational leaders constantly articulate new visions to motivate the organization— they exhibit high passion and confidence in their beliefs, and they give importance to ethics and values while setting accountable standards in the organization. These leaders are often charismatic and able to have an exceptional influence on their followers, compelling them to share the leader's vision and to take actions beyond their specified responsibilities. They exhibit good organizational abilities and are able to align the individual aspirations and motivations to that of organization's vision. Two major components of transformational leadership are charismatic leadership and stewardship and servant leadership (McCleskey, 2014).

3.2.3 Leadership and Organizational Culture

There is a proximity in many discussions between the concentration on vision in the leadership theories and organizational culture. This disposition can be seen in the advantages which were sighted as tapping into an organizations' possession of a strong culture. Strong cultures were viewed as providing organizational members with a perception of their distinctiveness, a perception of purpose and the "glue" which binds people together. Companies become increasingly self conscious and forthcoming about their values and traditions. Moreover, the visions of leaders were seen by many writers as making an idiocratical contribution to cultures. The concept of leadership as having culture creation as a core element can be noticed in countless writings, other than that of Peters and Waterman. Schein, for example wrote that "the unique and essential function of leadership is the manipulation of culture". In Bass's model, changing organizational culture is an outcome of transformational leadership which in turn has an impact on the follower's level of efforts and performance. The connection between leadership and organizational culture is especially noticeable in the case of the founders of new organizations whose values and preoccupations often leave a distinctive brand on their creations (Schein, 2004). Leaders who follow in the founder's footsteps often see their role as that of maintaining and reinforcing the early culture. At a later stage in their development the distinctive cultures that were created might come to be seen as liabilities as environmental realities change.

3.3 Strategic Management

Strategic management is related to description and identification of the strategic decisions that executives/managers can carry out in order to achieve better performance and a competitive advantage for the organizations. It is supposed that an organization should have profitability which is more than average profitability in comparison with all organizations in its industry. Strategic management can be expressed as a set of core decisions that help managers manage an organization successfully and improve its performance. All managers should have knowledge about the general organizational environment and be able to analyze the competitive environment in order to make proper decisions. SWOT analysis helps managers to analyze both the internal and external organizational environment. SWOT analysis is acronym of strengths, weaknesses, opportunities, and threats. Using the SWOT analysis, managers can better utilize strengths, minimize organizational weaknesses, make use of arising opportunities from the business environment, and consider the threats. Strategic management can be implemented in all organizations whether large or small. Prudent application of key strategic management principles can lead to sustainable competitive advantage. It is a way in which strategists set the objectives and proceed about attaining them. It deals with making and implementing decisions regarding the future of an organization. It helps us to describe the direction in which an organization is going. Strategic management is a never ending process focusing on businesses and the industries in which an organization is involved; accounts for competitors and sets targets and strategies to address all current and potential competitors positioning in a successful manner, and then reevaluates strategies on a regular basis to designate how they have been implemented and whether they was successful or needs replacement. Strategic Management gives a broader perspective to the employees of an organization and they can better understand how their job fits into the entire organizational plan and how it is co-related to other organizational members. It is nothing but the art of managing employees in a manner which maximizes the ability of achieving business objectives. The employees become more confident, more committed and more satisfied as they can relate well to each organizational assignment. They can understand the reaction of environmental changes in the organization and the probable response of the organization with the help of strategic management. Thus, the employees can judge the impact of such changes on their own job and can effectively face the changes. The managers and employees must do appropriate things in an appropriate manner. They need to be effective and efficient. One of the major roles of strategic management is to incorporate various functional areas of the organization completely, as well as ensure these functional areas harmonize and blend well. Nevertheless, the goal of strategic management is to keep a continuous eye on the goals and objectives of the organization (David, 2011).

3.3.1 *Definition and Features of Strategy*

The word "strategy" comes from the Greek word "stratçgos"; stratus (meaning army) and "ago" (meaning leading). The term "strategy" procreates in discussions of business. Scholars and researchers have provided myriad models and staffing for analyzing strategic preference (Hambrick & Fredrickson, 2005). Porter defines strategy as accomplishing competitive advantage by way of being different. It can be expressed that being different is delivering a unique value added to the customer, having a clear and enactable view of how to position yourself uniquely in your industry, for example, in the ways in which Southwest Airlines positions itself in the airline industry and IKEA in furniture retailing, in the way that Marks & Spencer used to.

Strategy is a movement that managers/directors make real on the crest of a wave organization's objectives. Strategy can also be defined as "A general direction set for the company and its various components to achieve a desired state in the future". Strategy results from the detailed strategic planning process. The most important phase during planning is to consider whether decisions will have an impact on the competitors, customers, employees, and suppliers. Strategy can also be defined as knowledge of the goals, the uncertainty of events and the need to take into consideration the likely or actual behavior of others (Hambrick & Fredrickson, 2005).

3.3.1.1 Features of Strategy

The management study guide defines that strategy is always momentous for the business because of the fact that foreseeing the future is impossible. On account of considerable forecast, organizations can be prepared to overcome the ambiguous developments that generate within the business environment. Strategy is coupled with long-term decisions and development rather than short-term decisions and routine operations. Examples of what managers deal with regarding probability of innovations or new products, new methods of productions, or new markets to be enhanced in the future can be provided. Strategy is conceived to be able to perceive the behavior of customers and competitors. Strategies related with employees can estimate employee behavior. Strategy is a well-defined roadmap of an organization that defines the overall mission, vision and direction of an organization. The objective of a strategy is to maximize an organization's strengths and to minimize the strengths of competitors. Strategy, in short, bridges the gap between "where we are" and "where we want to be".

3.3.2 Components of a Strategy Statement

According to Koletnikov (2014), the strategy statement of a firm sets the firm's long-term strategic direction and broad policy directions. It gives the firm a clear sense of direction and momentum for its activities in the upcoming years. The main constituents of a strategic statement are as follows:

3.3.2.1 Strategic Intent

Koletnikov (2014) states an organization's strategic intent as the purpose that it exists and why it will continue to exist, providing it maintains a competitive advantage. Strategic intent gives a picture about what an organization must get into immediately in order to achieve the company's vision—it motivates the people and clarifies the vision of the company. Strategic intent helps management to emphasize and concentrate on the priorities. It is, nothing but, the influencing of an organization's resource potential and core competencies to achieve what at first may seem to be unachievable goals in a competitive environment. A well-expressed strategic intent should guide the development of strategic intent or the setting of goals and objectives, which require that all of an organization's competencies be controlled to maximum value. Strategic intent includes directing an organization's attention on the need of winning; inspiring people by telling them that the targets are valuable; encouraging individual and team participation as well as contribution; and utilizing intent to direct allocation of resources.

Mission Statement

A mission statement is the expression of the role by which an organization intends to service its shareholders. It defines why an organization is operating and thereby provides an outline within which strategies are formulated. It identifies present capabilities of the organization, shareholders of all it serves, and reason(s) for existence which makes the organization unique. A mission statement differentiates an organization from others by explaining its extensive scope of activities, its products, and the technologies it uses to accomplish its goals and objectives. It states an organization's current performance and position by answering where are we?

For instance,

- Qatar Airways's mission is "excellence in everything that we do."
- Delta Airlines's mission statement "We-Delta's employees, customers and community partners together form a force for positive local and global change, dedicated to bettering standards of living and the environment where we and our customers live and work."

Mission statements always exist at the top management level of an organization, but may also be made for different organizational levels. The Chief Executive plays a significant role in the formulation of the mission statement. Once the mission statement is formulated, it serves the organization in long run, but it may become indefinite with organizational growth and innovations. In today's dynamic and competitive environment, the mission may need to be redefined. However, care must be taken that the redefined mission statement retains its original fundamentals/components. The mission statement has three main parts—the mission or vision of the company, the core values, and the goals and objectives.

Features of a Mission

- Mission, must be feasible and attainable, possible to achieve.
- Mission should be clear enough so that any action can be taken.
- It should be inspiring for the management, staff, and society at large.
- It should be precise enough that it should be neither too broad nor too narrow.
- It should be so unique and distinctive so as to leave an impact on everyone's mind.
- It should be so analytical that it should analyze the key components of the strategy.
- It should be so credible that all stakeholders should be able to believe it.

Vision

A vision statement describes where the organization wants or intends to be in the future or where it should be to best meet the requirements of the shareholders. It defines dreams and ambitions for the future. For instance,

Singapur Airlines's vision is "to position the airline for continued growth in a globalizing industry while maintaining the airline's loss free record."

TAV Airports Holding's vision is "to be the pioneering and leading airport operating company in our target regions."

According to the Management Guide, a vision is the potential to view things ahead of themselves. It is expected to answer the question "where do we want to be?" A vision statement is for the organization and its members, in contrast to the mission statement which is for the customers/clients. It contributes toward effective decision-making in addition to effective business planning. It contains the scope—a shared understanding about the nature, objectives and goals of the organization, and utilizes this understanding to direct and guide the organization toward a better purpose. It identifies upon accomplishing the mission, how the organizational future would appear to be. An effective vision statement must display features showing it is: accurate, bare, harmonized with the organization's culture and values, the dreams and ambition must be rational, and vision statements should be shorter so that they are easier to remember. In order to perform the vision, it must be deeply rooted in the organization, being owned and shared by people included in the organization.

Goals and Objectives

A goal is a hankered future circumstance or objective that an organization tries to attain. Goals specify in particular what must be done if an organization is to achieve its mission or vision. Goals make the mission more outstanding and tangible. They coordinate and integrate multifarious functional and departmental areas in an organization. Well made goals have following features:

- These are accurate, clear and measurable.
- These deal with serious and substantial issues.
- These are realistic and challenging.
- These must be achieved within a specific time framework.
- These involve in both financial as well as nonfinancial constituent (Kelley, 2008).

Formulation of objectives is the task of top administration. Effective objectives should have some common features including:

- Objectives for an organization are multiple.
- Objectives and goals should be both short-term and long-term.
- Objectives must respond and react to changes in the environment.
- Objectives must be feasible, realistic, and operational.

3.3.2.2 Strategic Management Process

According to the Management Guide, the strategic management process refers to identifying the organization's strategy. It is also defined as the process by which managers choose a set of core strategic decisions for the organization that will enable it to attain better performance. Strategic management is a sustained and dynamic process that assesses the business and industry that the organization is involved in, values its competitors, and realizes goals to address all the present and future competitors' moves and then reassesses each strategy (Fig. 3.1).

According to Clayton, the strategic management process has following four steps:

Environmental Scanning

Environmental scanning is a process of collecting, scrutinizing, and providing information for strategic objectives. It helps in analyzing the internal and external factors that impact an organization. After directing the environmental analysis process, top managers should evaluate it on a continuous basis and strive to improve it.

Strategy Formulation

Strategy formulation is the process of deciding the best route of action for achieving organizational purposes. After conductive environment scanning, managers formulate corporate, business, and functional strategies.

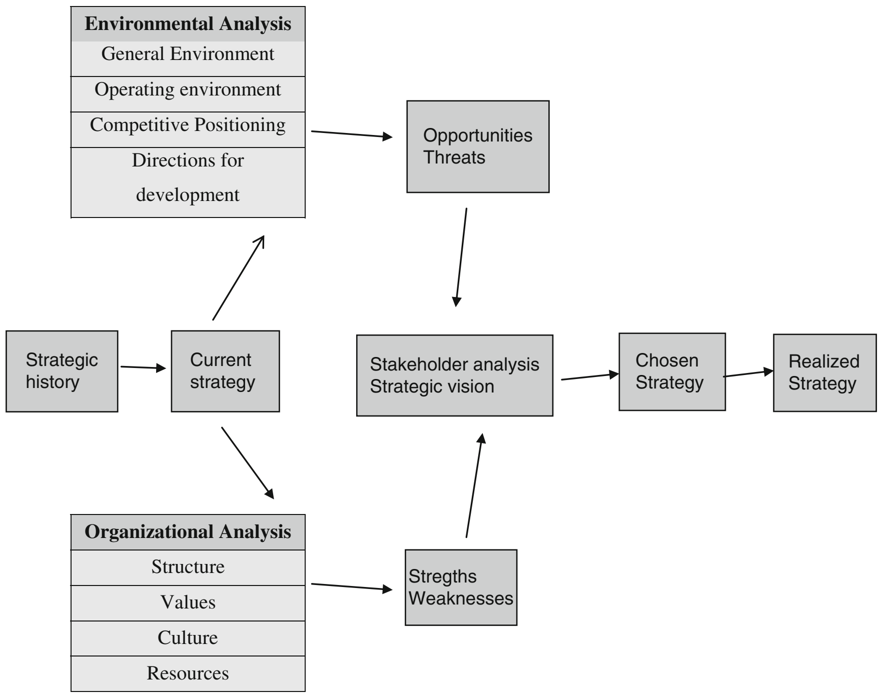


Fig. 3.1 Strategic management process

Strategy Implementation

Strategy implementation refers to making the strategy work as intended or putting the organization's chosen strategy into action. Strategy implementation is involved in designing the organization's framework, distributing resources, enhancing the decision-making process, and directing human resources.

Strategy Evaluation

Strategy evaluation is the conclusive stair of the strategy management process. The key strategy evaluation activities are: assess internal and external factors that are the stem of current strategies, measure performance, and take corrective actions. Evaluation makes sure that the organizational strategy as well as its implementation corresponds to the organizational objectives. These constituents are stairs that are carried out in chronological order, while composing of a new strategic management plan. Present businesses that have already created a strategic management plan will revert to these steps as per the situation's requirement, in order to make fundamental changes.

3.3.3 Components of Strategic Management Process

Strategic management is a continuous process. For this reason, it must be realized that each component interacts with the other components and this interaction. The first component of the strategic management process is setting goals.

3.3.3.1 Goal-Setting

Clayton explains that the purpose of goal-setting is to explain the vision of business. This phase includes three key facts:

- First, identify both the short-and long-term objectives of the organization.
- Second, describe the process of how to attain the objectives of organizations.
- Finally, customize the process for employees, and assign each person a task with which they can succeed.

This process includes goals which are detailed, realistic, and match the values of vision of the organization. Eventually, the final step in this stage is to write a mission statement that succinctly communicates the organizational purposes to both stakeholders and employees.

3.3.3.2 Analysis of Competitive Position

According to Koletnikov, during this vital first stage, managers try to get the steady understanding of that which is taking place inside and outside the organization. This is achieved by conducting internal, external, SWOT, and possibly a Porter's Value Chain Analysis of the company. External analysis mainly includes the study of the market position of the company, upcoming and existing major competitors, while on the other hand; internal analysis includes the primary and support activities involved in the creation of goods and services.

3.3.3.3 Strategy Formulation

The Management Guide expresses that strategy formulation is the process of choosing the most direct course of action for the realization of organizational purposes, and thereby, achieving the vision of organization. The process of strategy formulation basically includes six main steps. Though these steps do not follow a rigid chronological order, they are very rational and can be easily followed in this order.

3.3.3.4 Setting Organizations' Objectives

The key component of any strategy statement is to set the long-term objectives of the organization. It is known that strategy is generally a medium for realization of organizational objectives. Objectives stress the state of being, whereas strategy stresses upon the journey. Strategy includes both the fixation of objectives as well the medium to be used to realize those objectives (www.saylor.org, 2013).

3.3.3.5 Evaluating the Organizational Environment

The next step is to evaluate the general economic and industrial environment in which the organization operates. This involves a review of the organization's competitive position of industry. It is essential to carry out a qualitative and quantitative review of an organization's existing product line (www.saylor.org, 2013).

3.3.3.6 Setting Quantitative Targets

In this step, an organization must practically fix the quantitative goals values for some of the organizational objectives. The idea behind this is to compare with long-term customers, so as to evaluate the contribution that might be made by various product zones or operating departments (www.saylor.org, 2013).

3.3.3.7 Aiming in Context with the Divisional Plans

In this step, the contributions made by each department or division or product category within the organization are identified and accordingly strategic planning is done for each subunit. This requires a careful analysis of macroeconomic trends (www.saylor.org, 2013).

3.3.3.8 Performance Analysis

Performance analysis involves discovering and analyzing the gap between the planned or desired performance. A critical evaluation of the organization's past performance, present condition, and the desired future conditions must be done by the organization. This critical evaluation determines the degree of the gap that exists between the actual reality and the long-term ambitions of the organization (www.saylor.org, 2013).

3.3.3.9 Choice of Strategy

This is the final step of strategy formulation. The best course of action is actually chosen after considering organizational goals, organizational strengths, potential, and limitations as well as external opportunities (www.saylor.org, 2013).

Strategic Development

It is often placed on a balanced scorecard to keep track of how functional areas of the business will be influenced. Organizations have to examine which options of those examined is best from the following:

- Whether it wants to move into the same market with the same products to protect their market position.
- Whether it wants to enter into a new market.
- Whether it wants to introduce new products, Whether it wants to finalize diversification with regard to product and market (Hummelbrunner & Jones, 2013).

And thus, on the basis of final decision a strategy is developed. At this stage only the decision is taken, coupled with the activities that an organization is going to perform independently and the activities which can be performed in partnership (Hummelbrunner & Jones, 2013).

Strategy Implementation

Clayton defines strategy implementation as the translation of chosen strategy into organizational action so as to attain the strategic goals and objectives of an organization. Strategy implementation is also described as the manner in which an organization should improve, and utilize, an organizational framework, control systems, and culture, to follow strategies that induce competitive advantage and better performance. Organizational framework emphasizes improving tasks and roles assigned to employees, and states how these tasks and roles can be correlated so as to maximize efficiency, quality, and customer satisfaction—the pillars of competitive advantage. However, organizational framework is not sufficient in itself to motivate employees. An organizational control system is also essential. This control system provides managers with motivational encouragement for staff as well as feedback for employees and organizational performance. Organizational culture refers to the specialized collection of values, attitudes, norms, and beliefs shared by organizational members and groups. Following are the main steps in implementing a strategy:

- Developing an organization having the potential of carrying out strategy successfully.
- Expenditure of ample resources to strategy essential activities.
- Creating strategy encouraging policies.
- Employing best policies and programs for constant improvement.
- Linking reward structure to accomplishment of results.
- Making use of strategic leadership.

Excellently formulated strategies will fail if they are not properly implemented. Also, it is essential to note that strategy implementation is not possible unless there is stability between strategy and each organizational dimension such as organizational structure, reward structure, resource allocation process, etc. Strategy implementation poses a threat to many managers and employees in an organization. New power relationships are predicted and achieved. New groups (formal and informal) are formed whose values, attitudes, beliefs, and concerns may not be known. With the change in power and status roles, the managers and employees may employ confrontational behavior.

Evaluation and Control

Clayton defines that strategy evaluation and control actions involve performance measurements, consistent review of internal and external issues, and making corrective actions when necessary. Any successful evaluation of the strategy starts with defining the parameters to be measured. These parameters should mirror the goals set in first stage as they can determine the progress of strategy management by measuring the actual results versus the plan. Monitoring internal and external factors will also enable a company to react to any substantial change in business environment. If it is possible to determine that the strategy is not moving the company toward its goal, corrective actions should be taken. If those actions are not successful, then repeat the strategic management process. Because internal and external issues are constantly evolving, any data earned during this stage should be retained to help with any future strategies.

Strategic Decisions

Clayton states that strategic decisions are the decisions that are related to whole environment in which the firm operates, the entire resources and the employee who composed of the company and the interface between the two. According to him:

- Strategic decisions have major resource proposals for an organization. These decisions may be interested in possessing new resources, organizing others or reallocating others.
- Strategic decisions couple with harmonizing organizational resource capabilities with the threats and opportunities.
- Strategic decisions deal with the range of organizational activities. It is all about what they want the organization to be like and to be about.
- Strategic decisions include major changes since an organization operates in ever changing environment.
- Strategic decisions are complex in nature.
- Strategic decisions are at the top level, are uncertain as they deal with the future, and involve in a lot of risk.
- Strategic decisions are different from administrative and operational decisions.

Administrative decisions are routine decisions which help or rather facilitate strategic decisions or operational decisions. Operational decisions are technical decisions which help with the implementation of strategic decisions. To decline cost

Table 3.1 Strategic, operations, and administrative decisions

Strategic decisions	Administrative decisions	Operational decisions
Strategic decisions are long-term decisions	Administrative decisions are taken daily	Operational decisions are not frequently taken
These are considered where the future planning is concerned with	These are short-term-based decisions	These are medium-period-based decisions
Strategic decisions are taken in accordance with organizational mission and vision	These are taken according to strategic and operational decisions	These are taken in accordance with strategic and administrative decision
These are related to overall counter planning of all Organization	These are related to working of employees in an organization	These are related to production
These deal with organizational growth	These are in welfare of employees working in an organization	These are related to production and factory growth

is a strategic decision which is achieved through the operational decision of reducing the number of employees and how we carry out these reductions will be administrative decision. The differences between strategic, administrative, and operational decisions can be summarized as follows (Table 3.1);

3.3.4 SWOT Analysis

According to Harrison (2010), SWOT is an acronym for Strengths (S), Weaknesses (W), Opportunities (O), and Threats (T). Strengths and Weakness are related to internal environment factors that can be controlled. Opportunities and Threats are considered external factors that cannot be controlled by organizations. SWOT analysis is the most notorious tool for audit and analysis of the overall strategic position of the organization and its environment. Its key purpose is to determine the strategies that will generate an organization specific business model that will best line an organization's resources and capabilities to the requirements of the environment in which the organization operates. In other words, it is the establishment for evaluating potential and limitations from the internal environment, and the possible opportunities and threats from the external environment of organization. It views all positive and negative factors inside and outside that impact organizational success. A steady study of the environment in which the organization manages helps in predicting the changing trends and helps in including them in the decision-making process of the organization. A review of SWOT Analysis follows;

1. **Strengths—**Strengths are the qualities that enable us to attain the organization's mission. These are based on which progressing accomplishment can be made and sustained. Strengths can be either tangible or intangible. These are what you

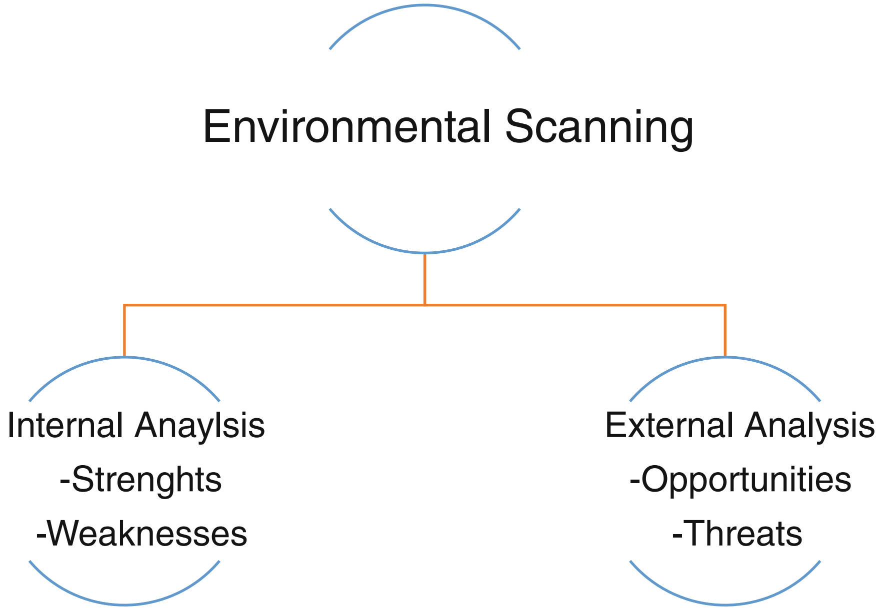
are experienced or what you have expertise in, the traits and qualities your employees possess and the distinct features that give your organization its consistency. Strengths are the worthwhile aspects of the organization or the capabilities of an organization, which include human competencies, process capabilities, financial resources, products and services, customer goodwill, and brand loyalty (Langone, 2004).

2. **Weaknesses—**Weaknesses are the qualities that prevent an organization from achieving its mission and accomplishing its full potential. These weaknesses devolve impacts on organizational accomplishment and growth. Weaknesses are the factors which do not meet the standards we feel they should meet. Weaknesses in an organization may be depreciating machinery, insufficient research and development facilities, narrow product range, poor decision-making, etc. Weaknesses are controllable; They must be minimized and eliminated. For instance—to overcome obsolete machinery, new machinery can be purchased (Langone, 2004).
3. **Opportunities—**Opportunities are available in the environment within which the organization operates. These arise from when an organization can benefit from conditions in its environment to plan and execute strategies that enable it to become more profitable. Organizations can obtain competitive advantage by making use of opportunities. Organizations should be careful and recognize the opportunities and grasp them whenever they arise. Selecting the goals that will best serve the customers while getting desired results is a difficult duty. Opportunities may arise from the market, competition, industry/government, and technology. Enhancing demand for telecommunications accompanied by deregulation is a great opportunity for new firms to enter the telecom sector and emulate with existing firms for revenue (Langone, 2004).
4. **Threats—**Threats arise from conditions in the external environment which endanger the reliability and profitability of the organization. They are associated with vulnerability when they pertain to the weaknesses. Threats are uncontrollable, so when a threat appears on the horizon, organizational stability, and even survival can be at stake (Langone, 2004).

3.3.4.1 Advantages of SWOT Analysis

SWOT Analysis is influential in strategy formulation and selection. It is a strong implement, but it includes a great subjective element. It is best when used as a guide, and not as a prescription. Successful businesses attribute to their strengths, correct their weakness, and protect against internal weaknesses and external threats. They also engage a watch on their overall business environment and recognize and exploit new opportunities faster than their competitors (Free management books, 2013).

Table 3.2 Swot analysis framework



SWOT Analysis helps in strategic planning in following manner:

a. It is a source of information for strategic planning.
b. Builds an organization's strengths.
c. Counters its weaknesses.
d. Enhances its response to opportunities.
e. Overcomes threats.
f. Helps in identifying core competencies of the organization.
g. Helps in setting of objectives for strategic planning.
h. Helps in knowing past, present, and future so that by using past and current data, future plans can be sketched (Free management books, 2013).

SWOT Analysis provides information that helps in synchronizing the organization's sources and capabilities with the competitive environment in which the organization operates (Table 3.2).

3.3.4.2 Restrictions of SWOT Analysis

SWOT Analysis is not independent from its restrictions. It may result in organizations viewing circumstances as very simple because of which the organizations might look over certain key strategic contact which may take place. Moreover, classifying aspects as strengths, weaknesses, opportunities, and threats might be very nominative as there is great degree of uncertainness in market. SWOT Analysis does emphasize the importance of these four aspects, but it does not tell how an organization can describe these aspects for itself (Harrison, 2010).

There are determined restrictions of SWOT Analysis which are not controlled by management. Harrison (2010) defines them as:

a. Price increase;
b. Inputs/raw materials;
c. Government legislation;
d. Economic environment;
e. Searching a new market for the product which is not having overseas market due to import limitations.

Internal restrictions may involve:

a. Insufficient research and development facilities;
b. Defective products due to poor quality control;
c. Poor industrial relations;
d. Lack of skilled and efficient staffs.

3.3.5 Porter's Five Forces Model

Michael Porter designed various vital structures for developing an organization's strategy. One of the most prestigious among managers making strategic decisions is the five competitive forces model that identifies industry frameworks. According to Porter (2008), the nature of competition in any industry is personalized in the following five forces:

- Threat of new potential entrants;
- Threat of substitute product/services;
- Bargaining power of suppliers;
- Bargaining power of buyers; and,
- Rivalry among current competitors.

Porter (2008) expressed that the five forces mentioned above are very significant from point of view of strategy formulation. The potential of these forces shows an alteration from industry to industry. These forces commonly describe the lucrativeness of industry because they form the prices which can be charged, the costs which can be emanated, and the investment required to compete in the industry. Before making strategic decisions, the managers should use the five forces structure to identify the competitive structure of industry (Fig. 3.2).

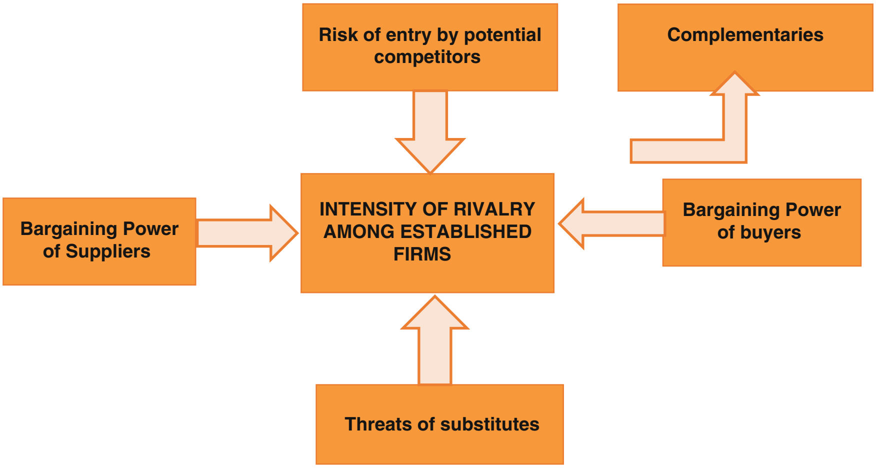


Fig. 3.2 Porter's five forces model

3.3.5.1 Risk of Entry by Potential Competitors

Potential competitors attribute to organizations are not currently competing in the industry but have the potential to do so if given a choice. Entry of new players augments the industry's capacity, begin a competition for market share, and lower the current costs. The threat of entry by potential competitors is relatively a function of extent of obstacle to entry. The various obstacles to access are:

- Economies of scale;
- Brand loyalty;
- Government Regulation;
- Customer Switching Costs;
- Absolute Cost Advantage;
- Ease in distribution; and,
- Strong Capital base.

3.3.5.2 Rivalry Among Current Competitors

Competition attributes to the competitive challenge for market share between organizations in an industry. Extreme rivalry among constituted firms has a strong threat to lucrativeness. The strength of competition among constituted firms within an industry is a function of following elements:

- Extent of exit barriers;
- Amount of fixed cost;
- Competitive structure of industry;

- Presence of global customers;
- Absence of switching costs;
- Growth Rate of industry; and,
- Demand conditions.

3.3.5.3 Bargaining Power of Buyers

Buyers attribute to the customers who finally consume the product or the firms who distribute the industry's product to the final consumers. Negotiating power of buyers refers to the potential of buyers to negotiate down the prices charged by the firms in the industry, or, to increase the firms cost in the industry by requesting better quality and service of product. Strong buyers can lift profits out of an industry by reducing the prices and enhancing the costs. They purchase in large quantities, have full information regarding the product and the market, stress upon quality products, and expose a credible threat of backward integration. In this way, they are declared as a threat.

3.3.5.4 Bargaining Power of Suppliers

Suppliers attribute to the organizations that provide influx to the industry. The negotiating power of suppliers is attributed to their potential to enhance the prices of influx (labor, raw materials, services, etc.) or the costs of industry in other ways. Strong suppliers can receive profits from an industry by enhancing costs of organizations in the industry. Suppliers' products have a few substitutes, as strong suppliers' products are unique and thus have high switching cost. Their product is an important input to buyer's product. They pose a convincing threat of forward integration. Buyers are not significant to strong suppliers, and therefore are considered a threat.

3.3.5.5 Threat of Substitute Products

Replacement products attribute to the products having the ability to satisfy customers' needs effectively. Substitutes pose a ceiling (upper limit) on the potential returns of an industry by putting a limit on the price that firms can charge for their product in an industry. The fewer the number of related replacements a product has, the greater the opportunity for the organization in the industry to increase their product prices and gain greater profits.

The power of Porter's Five Forces differs from industry to industry. Whatever the industry, these five forces impact profitability as they affect the prices, the costs, and the capital investment principal for survival and competition in the industry. This five forces model also helps in making strategic decisions as it is used by managers to identify the industry's competitive framework. Porter ruled out, however, a sixth significant factor- mutual complementaries. This term attributes to the confidence that improves among organizations whose products work in combination with each other. Strong complements might have a strong positive impact on the industry. Also, the five forces model pretends not to see the role of innovation as well as the importance of individual organization differences. It submits a calm view of competition.

3.3.6 Strategic Leadership

Paul et al. (2012) refers to strategic leadership as a manager's potential to express a strategic vision for the organization, or a part of the organization, and to motivate and persuade others to acquire that vision. Strategic leadership can also be determined as utilizing strategy in the management of employees. It is the potential to impress organizational members and to manage organizational changes. Strategic leaders generate organizational framework, allocate resources and state strategic vision, and work in a complicated environment on very difficult issues that impress and are influenced by occasions and organizations external to their own. The main purpose of strategic leadership is strategic productivity. Another aim of strategic leadership is to improve an environment in which employees foresee the organization's requirements in the context of their own job. Strategic leaders encourage employees in an organization to follow their own ideas. They make greater use of an award and encouragement system for encouraging productive and quality employees to demonstrate much better performance for their organization. Functional strategic leadership is about inventiveness, perception, and planning to aid an individual in realizing his objectives and goals. Strategic leadership requires the potential to forecast and apprehend the work environment. It requires objectivity and potential to look at the wider picture.

A few essential qualities of effective strategic leaders are as follows;

- **Loyalty—**Powerful and effective leaders show their loyalty to their vision by their words and actions.
- **Keeping them updated—**Efficient and effective leaders keep themselves updated about what is occurring within their organization. They have various formal and informal resources of knowledge in the organization.
- **Judicious use of power—**Strategic leaders make use their power wisely. They must play the power game dexterously and try to improve persuade for their ideas rather than forcing their ideas upon others. They must push their ideas progressively.
- **Have wider perspective—**Strategic leaders just do not have traits in their narrow specialty but they have a little knowledge about a lot of things.

- **Motivation—**Strategic leaders must have an enthusiasm for work that goes beyond money and power and they should have a gradient to attain goals with energy and determination.
- **Compassion—**Strategic leaders must understand the views and feelings of their subordinates, and make decisions taking them into consideration.
- **Self-control—**Strategic leaders must have the potential to control disturbing moods and desires.
- **Social skills—**Strategic leaders must be friendly and social.
- **Self-awareness—**Strategic leaders must have the potential to understand their own moods and emotions, besides their influence others.
- **Readiness to delegate and authorize—**Effective leaders are adequately empowered. They are well aware of the fact that delegation will avoid super-charging of responsibilities on the leaders. They also recognize the fact that authorizing the subordinates to make decisions will motivate them a lot.
- **Articulacy—**Strong leaders are articulate enough to communicate the vision (vision of where the organization should head) to the organizational members in terms that boost those members.
- **Constancy/Reliability—**Strategic leaders constantly convey their vision until it becomes a component of organizational culture.

To conclude, strategic leaders can create vision, express vision, passionately possess vision, and persistently drive it to accomplishment.

3.4 Enterprise Risk Management

3.4.1 Definition of Risk and Related Concepts

3.4.1.1 Definition of Risk

The term risk, intuitively, involves uncertainty, and loss. As uncertainty is one of the most important characteristics of the risk, it is necessary to investigate the sources of risk. Measuring and exposing the potential returns and losses associated with those returns are also essential components of the risk management concept. It is a fact that we cannot know exactly what will happen in the future in financial markets. In this context, risk management activities involve a role to produce a distribution estimate of potential possibilities, not a point estimate (DALGIÇ 2013).

Before explaining risk management methodology, risk must be defined clearly. In the past, risk is defined as "losses." However, the definition of risk has changed and not only negative but also positive meanings are considered in recent years, as it can be seen in Table 3.3. Risk can be defined in various ways as a basic concept (Şimşek 2014).

Table 3.3 Risk definition differences between traditional and new perspective (Şimşek, 2014)

The traditional view	The new perspective
Risk is a negative factor to be controlled	Risk is an opportunity
Risk is managed in organizational silos	Risk is managed as a whole
Risk management is the responsibility of the delegates to the lower level	Risk management is the responsibility of the top management
The measurement of risk is subjective	Risk can be measured
Unstructured and inconsistent risk management functions can be found	Risk management for all corporate management system is established
There is c committee that oversees the management board	The board is controlled by a risk committee

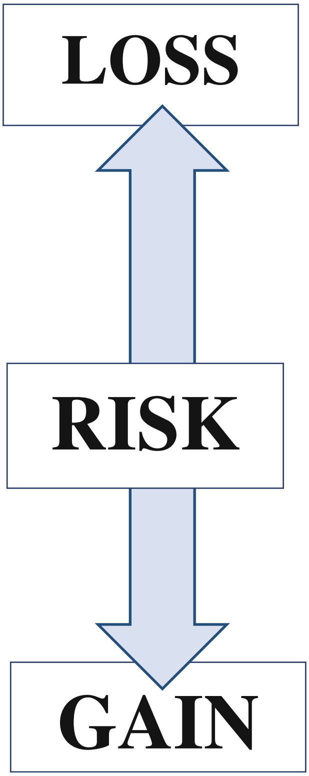


Fig. 3.3 Relationship of risk to possible losses and gains (Merna & Al-Thani, 2005)

Figure 3.3 illustrates the possible outcomes of risk. The word "risk" is often perceived in a negative way. However, managed in the correct way, prevailing risks can often have a positive impact. Risk management should consider not only the threats (possible losses) but also the opportunities (possible gains). It is important to note that losses or gains can be made at each level of an organization (Merna & Al-Thani, 2005).

3.4.1.2 Related Concepts with Risk

Risk Culture

There are many definitions of risk culture we do not wish to add to this list. The different definitions have some common elements, namely a focus on the habits and routines which are relevant to risk taking and its mitigation. What makes risk culture such a fascinating and challenging topic to research is the fact that many, though not all, of these habits and routines are not readily visible, even to organizational participants themselves let alone researchers. Yet it is this problem of visibility, of making risk culture visible, that is, at the heart of current regulatory and organizational focus (Ashby, Palermo, & Power, 2013).

Risk Response

Management selects risk responses—avoiding, accepting, reducing, or sharing risk—developing a set of actions to align risks with the entity's risk tolerances and risk appetite (COSO 2004).

Risk Tolerance

Risk tolerance is the amount of uncertainty an organization is prepared to accept in total or more narrowly within a certain business unit, a particular risk category or for a specific initiative. Expressed in quantitative terms that can be monitored, risk tolerance often is communicated in terms of acceptable or unacceptable outcomes or as limited levels of risk. Risk tolerance statements identify the specific minimum and maximum levels beyond which the organization is unwilling to lose. The range of deviation within the expressed boundaries would be bearable. However, exceeding the organization's established risk tolerance level not only may imperil its overall strategy and objectives, doing so may threaten its very survival. This can be due to the consequences in terms of cost, disruption to objectives or in reputation impact (Crickette et al., 2012).

Risk Assessment

Risks are analyzed, considering likelihood and impact, as a basis for determining how they should be managed, and are assessed on an inherent and a residual basis (COSO 2004).

Risk Appetite

Risk appetite is the total exposed amount that an organization wishes to undertake on the basis of risk-return trade-offs for one or more desired and expected outcomes. As such, risk appetite is inextricably linked with—and may vary according to—expected returns. Risk appetite statements may be expressed qualitatively and/or quantitatively and managed with respect to either an allocated individual initiative and/or in the aggregate. Think of risk appetite as the amount that an organization actively ventures in pursuit of rewards—also known as its goals and objectives (Crickette et al., 2012).

3.4.2 *Importance of Risk Management*

There are many benefits of risk management for companies. In order to ensure stability and reduce the threat, risk management becomes inevitable for companies. The necessity of risk management can be summarized under the following headings (Şimşek, 2014)

- Uninterrupted continuation of the company
- To minimize surprises
- Reducing the cost of losses
- Income stability
- Sustainable growth
- Social responsibility
- Compliance with regulations

3.4.3 *Enterprise Risk Management*

COSO defines Enterprise Risk Management (ERM) as a process, affected by an entity's board of directors, management and other personal, applied in strategy-setting and across the enterprise, designed to identify potential events may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entry objectives. Enterprise risk management is (Proviti, 2006)

- A process, ongoing and flowing though an entity
- Affected by people at every level in an organization
- Applied in strategy-setting
- Applied across the enterprise, at every level and unit, and includes taking an entity-level portfolio view of risk
- Designed to identify potential events affecting the entity and manage risk within its risk appetite

- Able to provide reasonable assurance to an entity's management and board
- Geared to the achievement of objectives in one or more separate but overlapping categories-it is "a means to an end, not an end in itself."

3.4.4 The Enterprise Risk Management/ERM Evolution

Organizations have long practiced various parts of what has come to be called enterprise risk management. Identifying and prioritizing risks, either with foresight or following a disaster, has long been a standard management activity. Treating risk by transfer, through insurance or other financial products, has also been common practice, as has contingency planning and crisis management. What has changed, beginning very near the close of the last century, is treating the vast variety of risks in a holistic manner, and elevating risk management to a senior management responsibility. Although practices have not progressed uniformly through different industries and different organizations, the general evolution toward ERM can be characterized by a number of driving forces (Society, 2003).

3.4.5 Components of Enterprise Risk Management

Enterprise risk management consists of components derived from the way management runs an enterprise and which are integrated with the management process (COSO, 2004).

These components are:

- Internal Environment
- Objective Setting
- Event Identification
- Risk Assessment
- Risk Response
- Control Activities
- Information and Communication
- Monitoring

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Chapter 4
Critical Event Stress Management

Stress is a state of psychological and physiological imbalance resulting from the disparity between situational demand and the individual's ability and motivation to meet those needs.

—Dr. Hans Selye.

Abstract Stress has considerable potential to affect individuals. Humans mostly reflect their own stress on their work, family, environment and personal lives. Stress is a kind of risk source since it creates differentiated reactions to stimuli, and stress has considerable potential to affect our motivation level, as motivation is of critical importance to individual performance. Individual performance creates organizational performance, therefore stress must be managed by managers to sustain business. We present a considerable topic in this part as Critical Event Stress Management. As members of the aviation industry, we are also risk managers since even small mistakes may create disasters and our error free behavior according to established procedures may save many lives.

Keywords Critical Event Stress Management · Stress · Performance · Decision-Making · Risk management · Safety culture · Corporate culture

4.1 Stress

In article by (Revathi, 2014).

Revathi and Venkatrama (2014) Stress is defined as "a state of psychological and physiological imbalance resulting from the disparity between situational demand and the individual's ability and motivation to meet those needs."

Stress can be positive or negative:

1. Stress is good when the situation offers an opportunity to a person to gain something. It acts as a motivator for peak performance.

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2. Stress is negative when a person faces social, physical, organizational, and emotional problems.

Factors that are responsible for causing stress are called *stressors* (Akrani, 2011).

4.1.1 Sources of Stress

According to Klinic Community Health Centre (2010), there are some sources of stress. The first one is the environment: the environment can bombard you with intense and competing demands to adjust. Examples of environmental stressors include weather, noise, crowding, pollution, traffic, unsafe and substandard housing and crime.

Social Stressors: we can experience multiple stressors arising from the demands of the different social roles we occupy, such as parent, spouse, caregiver, and employee. Some examples are deadlines, financial problems, job interviews, presentations, disagreements, demands for your time and attention, loss of a loved one, divorce, and co-parenting.

Physiological Stressors: Situations and circumstances affecting our body can be experienced as physiological stressors. Examples are aging, illness, giving birth, accidents, and lack of exercise.

Thoughts: Your brain interprets and perceives situations as stressful, difficult, painful, or pleasant. Some situations in life are stress provoking, but it is our thoughts that determine whether they are a problem for us.

4.1.2 Stress Management

It is inevitable that every manager or executive who works in a business face a stress factor. All of these stress factors cannot be defined negatively because it is also true that stress can impact motivation. However, wrongly directed stress can be costly for both the individual and the organization. Methods to eliminate the impacts on individuals have been examined with two groups—individual and organizational.

Managers should make some changes within their business to eliminate stress symptoms. A stress prevention program can be implemented according to an organization's structure. The programs can be defined based on three goals (Kırel, 2013b, s. 130)

1. Diagnosing and defining the stress symptoms
2. Identifying their impacts in individuals
3. To support employees to deal with stress negative impacts.

It is really hard to implement methods for dealing with stress in a rapidly moving business environment.

4.1.3 Critical Event Stress Management

4.1.3.1 Critical Event

A critical incident is any situation that causes an individual to experience unusually strong reactions to stress that the individual perceives as disturbing or disabling (ibid, Critical Incident Stress Management: User Implementation Guidelines, 2008).

A critical incident is the stimulus or stressor event that can cause an emergency situation to develop during a daily routine and has the potential to produce a crisis (Beaton, 2003).

Critical incidents are emotionally powerful events that overwhelm an individual's or a crew's ability to function normally. They can create the starting point for a crisis reaction. Critical incidents are perceived to be overwhelming, threatening, frightening, disgusting, dangerous, or grotesque circumstances (Mitchell, 2006).

Powerful traumatic events trigger the crisis response. These events are usually outside of the usual range of normal human experiences on the job or in one's personal life. Examples are line of duty deaths or serious injury to operations personnel. Child deaths, multiple casualty events, and severe threats to emergency personnel are also classified as "critical incidents" (ibid, s. 2).

Any type of situation faced by employees has the potential to cause unusually strong emotions and/or reactions which may interfere with employees' ability to function effectively either at the said time, or later. This incident may be the foundation for critical stress if it is not resolved effectively and quickly (USACE, 2007, s. 44).

4.1.3.2 Critical Incident Stress

Every day, we exercise in handling our daily stress; we deal with its symptoms. The symptoms of CIS are often similar, but their impact is heavier. A person's balance can break after a critical incident, and the stress symptoms deal with the person instead of the person dealing with the symptoms. Elements that trigger this disequilibrium differ for each person, for each situation and at each moment. CIS reactions can last for days, weeks, or even months. This has nothing to do with personal weakness; it can happen to anyone at any time (EUROCONTROLs. 11).

Historically, CIS was called traumatic stress, combat fatigue, and rapid-onset burnout.

Abnormal events cause a series of reactions. These reactions may be unpleasant, but they are normal human reactions. Every person will—after a critical incident—experience recurrent and intrusive recollections of the event, including images, thoughts, or perceptions. Critical Incident Stress reactions (CIS reactions) influence, for a short or a longer period of time, the functioning of a person, and can happen to anyone at any time. Critical Incident Stress is something that the person feels;

the fact that the most reactions are hardly visible for others makes coping with CIS reactions extra difficult (EUROCONTROLs. 11).

Critical Incident Stress is the psychological consequence of a critical incident that is perceived by the emergency responder to be outside the normal range of their daily experience. It can have a profound impact on the cognitive, emotional, and behavioral realms of an emergency responder, potentially resulting in long-term distress. Critical Incident Stress is a subspecialty of psych traumatology (Beaton, 2003, s. 8).

A state of cognitive, physical, emotional, and behavioral arousal accompanies a crisis. The elevated state of arousal is caused by a critical incident. If not managed and resolved appropriately, either by oneself or with assistance, it may lead to several psychological disorders including Acute Stress Disorder, Posttraumatic Stress Disorder, Panic Attacks, Depression, Abuse of Alcohol and Other Drugs, etc. (ibid).

Every shocking event causes feelings of intense fear and helplessness or horror; the event causes a "psychological wound", a "trauma". Many people switch to "automatic pilot" during an incident. Their reactions are remarkably appropriate and important and necessary decisions are taken; procedures are followed to the letter, etc. (EUROCONTROL).

Emotions come afterwards and can be recognized by symptoms of:

- Intrusion (like nightmares, acting, or feeling as if the event were recurring, flashbacks),
- Avoidance (like avoidance of conditions related to the event, inability to recall important aspects of the event, loss of interest),
- Hyper arousal (like difficulty in concentrating, difficulty in falling or staying asleep, irritability) (EUROCONTROL).

These emotions come with questions about the event and the individual's role in it. "What happened?", "Why did it happen?", "Why did I do this…?", "Why did I decide that…?", "How will I react next time?" Each person involved will find his or her own answers to these questions. The questions help the recovery of the internal control systems in a human being (EUROCONTROLs. 11). Approximately 86% of persons experiencing CIS will experience some cognitive, physical, or emotional reaction within 24 h after the incident (EUROCONTROLs. 15).

4.1.3.3 CIS Reactions

The course of CIS reactions can be divided into three phases:

(a) Acute stress reactions

   - During the incident and up to 24 h after the incident
   - Massive stress reactions/stress symptoms
   - Individual coping strategies should become effective

(b) Acute stress disorder

- Between 24 h and four weeks after the incident
- Massive stress reactions or stress symptoms continue to exist or reoccur on a regular basis with constant intensity
- Individual coping strategies remain ineffective

(c) Chronic stress disorder

- More than four weeks after the incident
- Massive stress reactions or symptoms continue to exist (frequently or sporadically) with constant intensity
- Individual coping strategies remain ineffective
- Delayed onset of stress reactions is possible (ibid, Critical Incident Stress Management: User Implementation Guidelines, 2008, s. 18)

4.1.3.4 The Symptoms of CIS Reactions

CIS reactions can be thought of falling into four broader groups, each containing several "symptoms" that belong to that group. It is important to understand that all of them are normal human reactions to an abnormal event.

Reactions on the different levels are for example:

Cognitive:

- General confusion
- Difficulty in decision-making
- Difficulty in identifying people known to the individual
- Disorientation in terms of time and place
- Change in readiness to react to situations
- Changed perception of surroundings
- Distrust
- Nightmares
- Deterioration in ability to concentrate and being alert
- Memory lapses, blanks.

Emotional:

- Fear and insecurity
- Feelings of guilt
- Feeling of being overwhelmed/helpless
- Anxiety
- Irritability/aggression
- Fits of anger
- Increased excitability
- Panic attacks
- Over exaggerated expressions of grief

- Suppression of feelings/elusive behavior
- Lack of emotion or outbreaks of emotions
- Depression.

Physical:

- Sudden dizziness/feeling of faintness
- Dizziness/Numbness
- Sleeping disorder
- Faster pulse or higher blood pressure
- Breathing difficulties
- Dimness of vision
- Chills and fever
- Teeth grinding
- Increased fluid intake
- Drowsiness
- Nausea and vomiting
- Muscle twitching/nervous twitching/paralysis
- Headaches and chest pains
- Shock

Behavioral:

- Change in appetite
- Speech changes
- Changes in social behavior
- Isolation
- Over sensibility
- Hurry, restlessness
- Uncontrollable movements (for example ticks)
- Increased substance use
- Anger expression
- Increased excitability
- Panic attacks
- Over exaggerated expressions of grief
- Suppression of feelings/elusive behavior
- Lack of emotion or outbreaks of emotions
- Retreat, immobility, hyper mobility

CIS can occur with different combinations, over a longer period of time, in turn or delayed. In order to assess the individual and work-related impacts of CIS, it is important to consider that physical reactions are more easily detectable than cognitive reactions. On the one hand, this can lead to the more medical treatment of bodily symptoms, ignoring that they are CI-related and getting in the way of psychological coping. On the other hand, losses in cognitive capacity—in our metaphor a poor state of charge—are usually first recognized when needed the next time. CIS can impair these vital abilities—in the worst case, first noticed when cognitive capacity is next needed. Therefore, CISM interventions are also preventive in the sense that the reflection of the CI and CIS may help the affected person to detect latent cognitive impairments (Leonhardt & Vogt, 2006).

Individual Effects

These effects are emotionally demanding and unusual events require the sudden expenditure of energy, intensive thought and action, and exclusive concentration on the issues at hand. These are the normal processes by which experiences are integrated into the broader context of work and life. The experiences tend to become isolated, and normal cognitive and emotional mechanisms of integration become ineffective. When this occurs, a wide spectrum of stress effects may take place. Debriefing interventions assist individuals to break down the psychological isolation of the experience through communication in a safe group context. They also inform individuals about stress, its effects, and how to manage themselves in the current context (DHS, 1997).

Group Effects

Even if they only directly involve individuals, critical incidents place stress on the whole work group involved. Effective communication tends to be reduced, and emotional tension and uncertainty are increased. These changes render the group less able to solve otherwise normal problems. If this situation persists for any length of time, the group may then develop maladaptive attempts to manage the tensions, members misperceive or misinterpret the actions of others, and the group engages in inappropriate activity. Debriefing assists the group to gain an accurate, common understanding of the incident, identify problems and needs, and provides a foundation to plan suitable follow-up actions. It also promotes effective communication and the management of emotions (DHS, 1997).

4.2 Critical Incident Stress Management

4.2.1 Development of CISM

Disasters and occurrences which cause devastating damage always result in intensive media coverage and extended public interest. The Sioux City DC 10 crash, the high-speed train accident in Eschede, Germany, the avalanche incident in Galthür, Austria, the Concorde aircraft crash in Paris, the midair collision over the Lake of Constance, Germany, and above all, the recent terrorist attacks in the United States and Madrid, are examples of incidents that are etched firmly in the psyche of many individuals. Of course, for those directly involved in such incidents and in the subsequent aftermath, the effects are generally much more devastating and can be debilitating for some. Increasingly, there has been a focus on the effects of such incidents on the support services that assist following an incident, and in discussing the consequences of such involvement on the personal emotions of members of these individuals and the teams to which they belong. This led to the conclusion that it was necessary to implement a special approach to assist the members of these groups. One of the approaches is called "Critical Incident Stress Management (CISM)" (ibid, Critical Incident Stress Management: User Implementation Guidelines, 2008, s. 15).

4.2.1.1 What Is the Critical Incident Stress Management?

CISM is an integrated method which consists of several steps and helps those affected to cope with their Critical Incident Stress (CIS) reactions thanks to direct and immediate intervention. In this way, it may be possible to decrease the probability of consequential disorders. CISM is a comprehensive, systematic, and multi-component approach to the management of CIS (ibid, Critical Incident Stress Management: User Implementation Guidelines, 2008, s. 19).

Critical Incident Stress Management (CISM) is a package of numerous crisis intervention techniques that are blended and interrelated. CISM is a comprehensive, integrated, systematic, and multi-component crisis intervention program. There are features of a CISM program that are in place before a crisis strikes. Pre-crisis education, policy development, training, and planning are among many things that can be done to prepare to manage a crisis experience (ibid).

CISM is a comprehensive, systematic, and integrated multi-tactic crisis intervention approach to manage critical incident stress after traumatic events. It is a coordinated program of tactics that are linked and blended together to alleviate the reactions to traumatic experiences (ibid).

CISM methods are secondary preventive measures which consist of discussions about the incidents in the form of structured individual and group discussions and help the persons affected regain their ability to apply coping strategies. Most of the time, these discussions are performed by colleagues who have qualified in CISM programs (the so-called CISM peer diffusers or CISM peers) or by Mental Health Professionals (MHPs) who are qualified CISM experts. None of the CISM techniques can, or should be, regarded as psychotherapeutic measures (ibid, Critical Incident Stress Management: User Implementation Guidelines, 2008).

The general framework for CISM involves personal support. This includes informal social relations, management structures, staff supervision arrangements, administrative support, and the provision of specialized help. The process of coming to terms with a serious incident must be integrated into this framework. This is a two-way process. The debriefing and other interventions are initiated by the management system, and can be considered as a specialized part of the general staff support process, rather than a self-contained intervention (DHS, 1997, s. 11).

There is also a collection of crisis intervention tools that may be applied during a critical incident. Assessment, strategic planning, large group interventions, individual crisis intervention, and advice to management are typical during an event (ibid, s. 18).

4.2.1.2 The Phases of Critical Incident Stress Management Programs

The management of critical incident stress starts before the incident and is ideally an integrated part of the Human Resources policy of the organization. CISM consists of three phases: information, training, and post incident support (Fig. 4.1).

Informing all employees and managers, and training the managers and peers are the basic elements of a comprehensive Critical Incident Stress Management Program. Information must be provided about the program, its objectives and type of effects, organizational rules, and procedures. Moreover, management and peers have to be informed about critical incidents and Critical Incident Stress Reactions, how they can be identified and assessed (Leonhardt, 2006).

4.2.1.3 Information Phase

The first phase is the awareness or information phase. This first step provides information about the phenomenon, describes potential reactions to critical incidents, and explains the different CISM support mechanisms. The information stresses the importance of proactively preparing and coping with unusual critical incidents (EUROCONTROL).

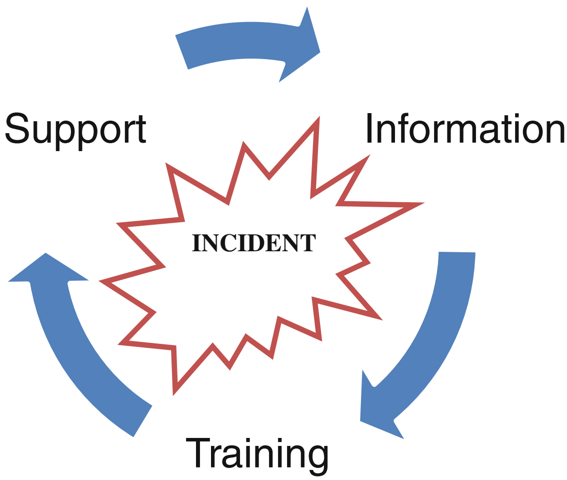

Fig. 4.1 Three phases of CISM. (EUROCONTROL)

The earlier CIS is recognized and dealt with, the better individuals feel. It is very important that CISM services are advertised and that information about the nature of critical incident stress and its consequences is widely provided throughout the organization.

The promotion of CISM to the management and professional organizations is the first task to be accomplished because essential issues like confidentiality, institutional, organizational, and legal issues need to be clarified before the implementation of any CISM program. A top-down approach, beginning with higher management and working down the organization is advisable (ibid, Critical Incident Stress Management: User Implementation Guidelines, 2008).

In accordance with the stated policy, the CISM information phase can be carried out by means of the following:

1. Articles in newsletters, guild, or union magazines, ATC journals.
2. A personal letter, sent to home addresses so that the individual's family becomes aware of CIS and their helping role in it. A checklist might help in the definition of their helping role.
3. Sessions or information days with a psychologist, with independent presentations of what is done in other domains. The idea is to create a forum where not only information is transmitted, but also where discussions can take place using current experience with CIS in ATS.
4. CISM glossary, including details of contact persons available in the operational environment. Such a brochure provides information on CIS, company policy, and a description of the CISM services implemented in the organization. The brochure also lists the names of people to contact both within and outside the organization (EUROCONTROL).

The information for the operational management and investigators has the general aim to impart fundamental understanding of CISM and the awareness about the impact of a critical incident or the investigation after the critical incident on an affected colleague (ibid, Critical Incident Stress Management: User Implementation Guidelines, 2008).

4.2.1.4 Training Programs in CISM

Training programs provide more detailed information about critical incident stress and the management of it. Moreover, volunteers are trained on how to support their colleagues immediately after a critical incident. Thus, part of the CISM program deals with the establishment of training courses (EUROCONTROLs. 17).

The training comprises the instruction of peers and is based on three interacting courses:

- Individual Crisis Intervention and Peer support
- Group Crisis Intervention
- Advanced Group Crisis Intervention (Leonhardt, 2006, s. 55).

The information phase provides a basic overview of what CISM is about; yet, awareness of CIS is only the first step. A natural and efficient way to continue the education on CISM is to introduce it into the current training programs. Training should thus address all levels in the organization (EUROCONTROLs. 27).

As mentioned before, CISM training should be integrated in traditional training curricula, as human factors and stress management in particular should be. In such a course, an instructor or a CISM expert teaches individuals how to recognize psychosomatic reactions, using realistic case studies or films (EUROCONTROLs. 27).

4.2.1.5 Support Phase in CISM

The third phase is carried out through a set of services assisting the person(s) involved in a critical incident. This form of support, offered after a critical event, can take different forms; for example, as an informal chat during the breaks or a more formal meeting, individually or in a group (EUROCONTROLs. 17).

4.2.2 CISM Working Principle

Immediate action-oriented intervention encourages a victim of incident stress to do something, to try to understand what is going on, instead of staying in a state of passiveness, shock, and confusion (EUROCONTROLs. 7).

Group support and peer support help to normalize the experience, reduce the sense of isolation, and allow the exploration of sensitive issues, which generates feelings of hope. Verbalization helps to ventilate and reconstruct the event, gives support in organizing thoughts and feelings, enhances reframing and encourages new perspectives. Help in structuring emotions and facts results in rational thoughts. CISM is an integrated program, and teaches people how to deal with the situation both before and after the critical incident through education and follow-up (EUROCONTROLs. 7–8).

4.2.2.1 Legal Component

The legal component is the third important issue in Critical Incident Stress Management. Remember: CISM deals with the human reaction to the critical event and is dealt with in complete confidence. Incident/Accident Investigation deals with the facts of a critical event. CISM and Incident/Accident Investigation should therefore be completely separate. The people dealing with CISM should not be the same people who deal with the investigation. No connection, managerial, organizational, or inter-personal, should exist. It is advisable to check national legislation on confidentiality (EUROCONTROL).

4.2.2.2 The Spider Model

The four components of Critical Incident Stress Management lead to the following representation (Fig. 4.2).

The management of critical incident stress is the structured assistance for a normal reaction to an abnormal event. Trained colleagues and/or mental health professionals help through education, information, and interviewing techniques, supported by a clear company policy and procedures. CISM needs to be strictly separated from Incident and Accident Investigation (EUROCONTROL).

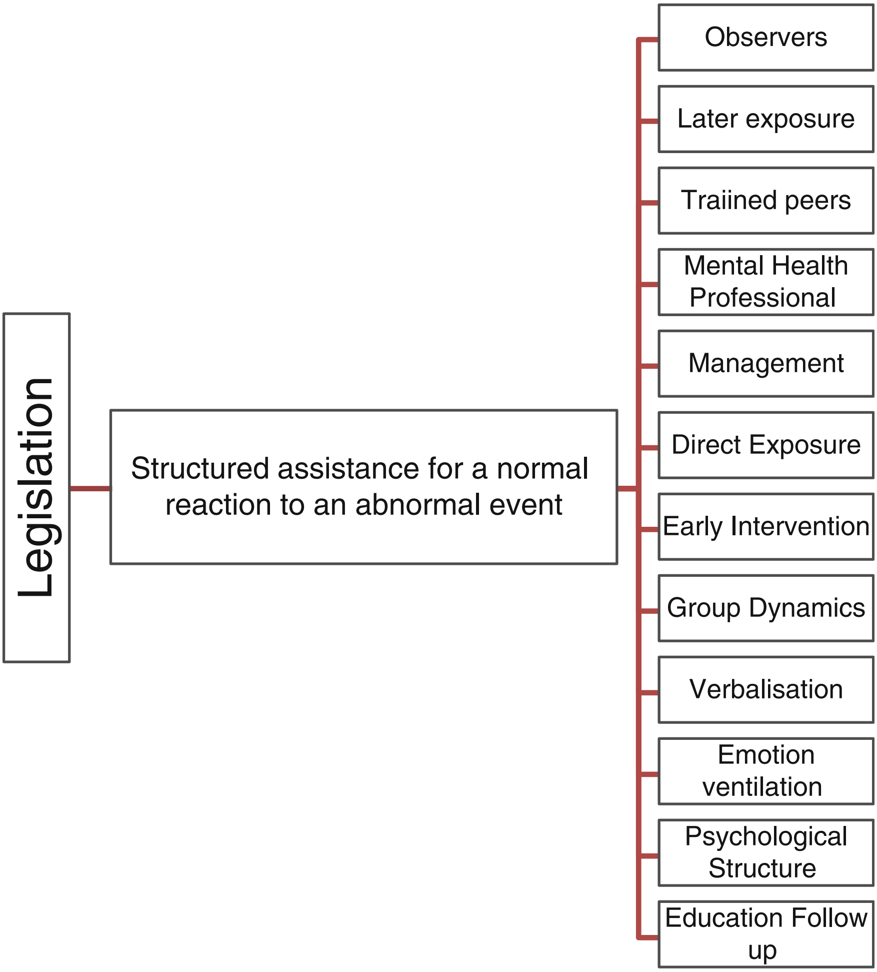

Fig. 4.2 The spider model in CISM (EUROCONTROL)

4.3 The Role of CISM for Crisis Response

4.3.1 Crisis

Crisis is a heightened state of emotional vulnerability that produces an acute need to regain a sense of psychic control and mind–body equilibrium; that is, to reduce the profound tension and return the person to some pre-crisis level of adaptation. The event will overwhelm an individual's usual coping mechanisms and produce evidence of functional impairment (Beaton, 2003).

An Crisis is an acute emotional reaction to a powerful stimulus or demand—a state of emotional turmoil. The three characteristics of a crisis are: The usual balance between thinking and emotions is disturbed; the usual coping mechanisms fail; there is evidence of impairment in the individual or group involved in the crisis (ibid, s. 1).

4.3.1.1 Crisis Response

Crisis response is the temporary, but active and supportive entry into the life of individuals or groups during a period of extreme distress.

Crisis intervention is acute psychological first aid that reduces anxiety resulting from the crisis event. There are four standard principles for crisis intervention: immediacy, proximity, expectancy, and brevity. The goals of crisis intervention are to mitigate the impact that the crisis has had on the individual, facilitate recovery, and identify those who may need additional service (Beaton, 2003, s. 8).

4.3.1.2 CISM of Crisis Response

As a solution to the risks facing first responders, CISM was designed to mitigate PTSD in first responders following a traumatic incident. It is a comprehensive, integrative, and multi-component crisis intervention system.

A crisis may include the following:

- Responding to or being a victim of a natural disaster
- Being a victim or witness of an attack involving deadly force
- Serious injury to yourself or another
- Gruesome injury or death of a child or elderly person
- Divorce, separation, or child custody dispute
- Lawsuits or internal investigations
- Financial difficulties (Chumley, 2012, s. 23).

CISM is considered comprehensive because it consists of multiple crisis intervention components, which functionally span the entire temporal spectrum of a crisis, and consists of interventions that may be applied to individuals, small functional groups, large groups, families, organizations, and even communities.

These interventions range from the pre-crisis phase through the acute crisis phase, and into the post-crisis phase. Measures and Purposes of CISM.

Critical Incident Stress Management (CISM) is a multi-component program that works to decrease the effects of CIS early on, before reactions become rooted. CISM's strength is attributable to its emergency service peer-driven process that is monitored by mental health professionals. The purposes in CISM are to restore the health and environment of the individuals, to decrease traumatic stress effects, and to speed recovery and productivity when they do occur (Pulley, 2000, s. 8).

4.3.2 Preventive Education and Training Methods

- Training courses for managers, members of staff, colleagues, and relatives of the above-mentioned professional groups or organizations
- Different modules, depending on the individual target groups

Pre-incident preparation and education means preparing for the CISM measures. If peers are dispatched to a crisis area, for example, it has proven helpful to mentally prepare the staff for this special situation. General information on stress and trauma are refreshed. Additionally, the peers are mentally and physically trained for the expected particularities of the situation. Moreover, acute as well as long-term coping strategies are introduced. The aim is to minimize the horror of the unexpected, to be prepared for possible mental and physical reactions and to keep one's own resources available in the crisis (Leonhardt, 2006, s. 56).

This preparation involves a proactive educative program that addresses the setting of expectations for the high intensity stressors of emergency work. The setting of expectations serves as "psychological immunization". In addition, pre-crisis preparation includes stress-coping skills and also discusses the direct correlation between stress, trauma, and safety (USACE, 2007, s. 22).

4.3.2.1 Individuals Crisis Response

Individual crisis response:

- Structured (individual) discussions with qualified CISM peers or mental health professionals onsite or immediately after the incident or mission
- Safer model as a one-to-one intervention method

Most of the crisis responses are done face to face and one on one. Individual crisis response is the main intervention method used by the CISM peers. It is applied directly after the incident and performed by a trained CISM peer. One method is called SAFER-R Model:

- Stabilize the situation and reduce stressors
- Acknowledge the crisis; ask about the facts and the individual stress reactions

- Facilitate, help to understand what the reactions are and normalize the reactions
- Encourage adaptive coping strategies and methods
- Recover the person to resume his/her normal functions or
- Refer to an internal or external mental health professionals if necessary (ibid, Critical Incident Stress Management: User Implementation Guidelines, 2008, s. 89).

4.3.2.2 Dealing with Crisis Incident

Structured discussions in groups performed by CISM peers or mental health professionals up to 24 h after the incident or mission.

4.3.2.3 Informing Crisis Incident Stress

Structured discussions in groups performed by mental health professionals and CISM peers between 72 h and four weeks after the incident/mission.

4.3.2.4 Demobilization

Quick informational and rest sessions are applied when a group of professionals have been released from service after a major incident. Among other purposes, it serves as a screening opportunity to assure that individuals who need assistance are identified after the traumatic event.

Demobilization is a measure for large groups at the end of an operation. The operation is over, the equipment has been laid down and the people have come together. At first, basic needs are cared for (food, drinks, warming up, and so on). Afterwards, the participants are informed about stress and stress management. If required, one-on-one interventions are initiated and phone numbers of the peers are distributed (Leonhardt, 2006, s. 57).

4.3.2.5 Crisis Management Briefing

The "crisis management briefing" is a practical four-phase group crisis intervention. It is designed to be highly efficient in that it requires from 45 to 75 min to conduct and may be used with "large" groups consisting of 10–300 individuals. While designed to be used with primary victim civilian populations in the wake of terrorism, mass disasters, violence, and other large-scale crises, it may be applicable in other settings with other populations, as well (George & Everly, 2000, s. 54).

Briefings in large groups are performed immediately after the incident/mission; these briefings serve the purpose of providing information about CIS reactions and their consequences and about available support.

A crisis management briefing should be operated in cooperation with a representative of the organization or community and a CISM team member. The group should be homogenous and the time for discussion and questions should be restricted. Information on the incident and the status quo are provided, as well as information on stress, stress management, and the respective support. A list of the phone numbers of CISM team members is distributed. The crisis management briefing is to be repeated regularly for a fixed period of time, as by doing so, up-to-date information is ensured. Even no news is seen as important information to people in a crisis (Leonhardt, 2006, s. 57).

4.3.2.6 Relatives/Organizations Support

Relatives/Organizations support includes counseling and/or training for relatives and organizations of particularly affected professional groups, and after a critical incident has occurred.

In an acute crisis, community support might be the direct support with CISM measures. There are many examples where organizational/community support is needed: violence in schools, natural disasters, local incidents, or cases in which a community is particularly affected by the death of community members in an accident outside the community (Leonhardt, 2006, s. 61).

4.3.2.7 Follow-up

- Follow-up following CISM peer counseling is recommended. Typically, this may be one to one and for two to three sessions.
- If required, the persons affected may be referred to experts, doctors, or therapists for further measures (therapy) (ibid, Critical Incident Stress Management: User Implementation Guidelines, 2008).

During a CISM intervention, the need for further help may be identified. In this case, a referral to professional services is made. It is important that these services are known and referred to by the CISM facilitator. One aim of the peer training is to recognize the need for further assistance and initiate the standard procedure for a referral according to organizational practice (Leonhardt, 2006, s. 61).

A follow-up is a very important step, which is accomplished approximately 30 days with post-CISD and one-on-one interventions. If required, this facilitates access to the EAP for an employee who may still be experiencing distress or has not had a lessening of symptoms (USACE, 2007, s. 22–23).

4.3.2.8 Objectives of CISM Measures

Objectives to be achieved by applying CISM measure are to:

- reduce CIS reactions as quickly as possible,
- "normalize" the unusual experience and reaction,
- reactivate the cognitive functions and processes affected by the incident, and
- regain the ability to work as soon as possible.

It is claimed by advocates of CISM that, where CISM measures are implemented, it is easier for the persons affected to cope with the critical incident experience and quicker for them to reassume their tasks. In addition, it is possible to decrease the probability of consequential disorders and save the organization further costs (ibid, Critical Incident Stress Management: User Implementation Guidelines, 2008, s. 21).

4.4 CISM Techniques

CISM techniques are mainly developed by peers for peers. CISM techniques are not therapies but rather interviewing techniques. You don't need a professional background in human sciences to apply CISM techniques, but you do need training and practical exercise (EUROCONTROLs. 20).

The techniques can be split into two complementary approaches. The first technique is one-on-one counseling. The helper—preferably a peer—talks with the victim and supports them in moderating the impact of the crisis. The second technique is the group session. This technique is preferably guided by a mental health professional. The various witnesses of the same critical incident gather and exchange their experiences. During this session, debriefing takes place with the help of a trained peer (EUROCONTROLs. 20).

4.4.1 Determining the Technique

The two techniques follow the same basic principle. The main difference is that the one on one technique offers the opportunity to design a tailored solution to the problem, while in the group technique the focus is put on normalizing the experience (EUROCONTROLs. 20).

Important factors in the choice of the techniques applied are:

- Cultural differences
- Available resources
- Time spent after the event
- Personality of the stressed individual(s).

4.4.1.1 One-on-One Intervention Technique

This technique intends to moderate the impact of critical incident stress and speed up the return to the pre-incident state (or even to a stronger and healthier state). Communication skills, more specifically active listening, but also knowledge of the CIS phenomenon are necessary in order to apply this CISM technique (EUROCONTROLs. 20–21).

When helping somebody in crisis after a critical incident, it is important to evaluate in which phase the person is in, in order to adapt the intervention and make it more efficient. High anxiety, remorse, denial, or grief are responses to the acute stress received, and the helper has to be prepared to cope with these during the interview/discussion (EUROCONTROLs. 21).

One-on-one interventions are voluntary and typically follow defusing or debriefings. One-on-one discussions are held entirely at the request of the employee. These are opportunities for individuals to raise issues not discussed within a group format. However, one-on-one interventions may be requested by an individual as a stand-alone intervention and not part of a previous defusing or debriefing (USACE, 2007, s. 21).

One-on-one counseling focuses on the individual rather than the group and may be accessed when an individual emergency responder perceives an incident to be critical. This is not psychotherapy; rather, it is the opportunity to discuss the incident with someone whom the effected responder trusts, whether it is a peer team member, a mental health professional or a chaplain (Beaton, 2003, s. 38).

It has been found effective in emergency services crises to start the discussion by asking questions requiring an answer at the cognitive level (the things we know), going then to the emotional level (the things we feel) and finishing back on the cognitive level. Consequently, a way of organizing a one on one discussion after a critical event is to (EUROCONTROLs. 21):

1. Start by introducing yourself and the role you will play; the confidentiality issue can be underlined at this stage.
2. Ask questions about the critical event—What happened?—Try to stay at the factual level until the operational details have all been gathered. When answering this question, the emotions felt during the event might come back again. Acknowledge them and steer the discussion toward a complete and as objective as possible description of what happened (EUROCONTROLs. 21).
3. Ask questions about the current emotional level—How are you doing?—Make the comparison with common critical incident stress symptoms, and explain that the reaction is normal. A normal reaction to an abnormal event.
4. Indicate coping strategies, suggest possible actions, ask an action plan to be established, and to meet again later to assess whether the plan works.
5. Close the discussion by reformulating what has been said—from the facts to the action plan passing via the stress reactions.
6. If needed give the name and phone number of a mental health professional.

4.4.1.2 Group Techniques

CISM group techniques address a group of people (more than three) having experienced the same critical incident: as one-on-one techniques, intend to moderate the impact of critical incident stress, and speed up the return to the pre-incident state (or even to a stronger and healthier state) (EUROCONTROLs. 21).

4.4.2 The Crisis Incident Stress Debriefing

CISD is a component of CISM and was developed to help law enforcement officers and emergency service workers understand that they are normal people experiencing normal reactions to abnormal events or situations. The concept behind CISD is to encourage free expression of thoughts, fears, and concerns in a supportive group environment after a major stressful incident. As short-term initial intervention, CISD often aids in preventing long-term effects caused by traumatic incidents (Chumley, 2012, s. 25).

The peers should have the same profession as the people affected in order to be able to assess the reactions and symptoms. In this way, the aspect of normalization as a central issue of crisis intervention, can be more authentically translated into action. Moreover, the group should be as homogeneous as possible and should have been equally exposed to the traumatic event (Leonhardt, 2006, s. 59).

The Critical Incident Stress Debriefing (CISD) is a specific, 7-step group crisis intervention tool designed to assist a homogeneous group of people after an exposure to the same significant traumatic event. It is not a stand-alone process and it should never be provided outside of an integrated package of interventions within the Critical Incident Stress Management (CISM) program. Under no circumstances should this group crisis intervention tool be considered psychotherapy or a substitute for psychotherapy (ibid, s. 4) (Fig. 4.3).

These steps consist of getting people to talk about:

1. Who they are (introduction phase)
2. What happened, what is the critical event (fact phase)
3. What they thought at the moment (thought phase)
4. What they felt, what was the worst thing (reaction phase)
5. Their symptoms of CIS (symptom phase)
6. Then show, by a mini-lecture, that their reactions are normal, that it was the situation that was abnormal (teaching phase)
7. And finally summarize and answer questions (reentry phase) (EUROCONTROLs. 22–23).

The first five phases of a debriefing include: the introduction phase in which the group sets its ground rules and expectations; the fact phase in which the facilitators listen to individuals provide factual accounts of what happened; the thought phase in

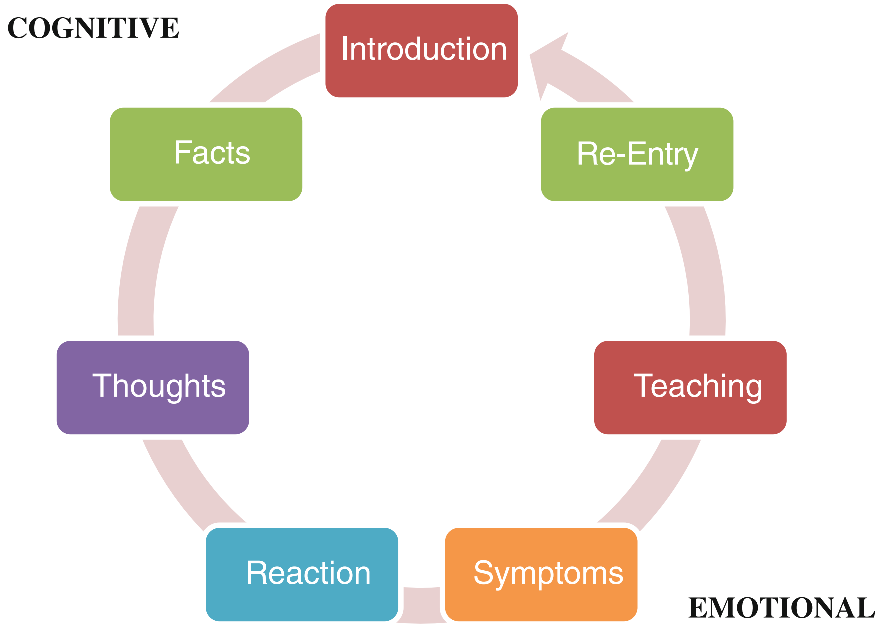

Fig. 4.3 7-Step technique (EUROCONTROL)

which facilitators assist individuals in putting the thoughts they had during the event into words; the reaction phase in which facilitators assist individuals in expressing the emotions attached to their experience; and the symptom phase in which facilitators assist individuals in exploring the thoughts, feelings, and behavior they experienced. In the following phase, the education phase, the facilitators provide educational input on stress management. Finally, the facilitators lead the group through the reentry phase, wherein the facilitators summarize the intervention, provide options for ongoing treatment, and normalize the reactions that individuals might experience in their lives in the days and weeks ahead (Smith, 2013).

CISD is a structured process following 7 steps and guided by a CISM team—debriefer peers and/or a mental health professional. The debriefer peers tackle more operational issues and the mental health professional deals with emotion relief. The number of participants can be from 3 to a maximum of 20 persons. The room chosen is comfortable. A good arrangement is to seat people in a circle. The debriefing lasts up to three hours. No breaks are allowed and a doorkeeper (a CISM team member) could even be put in charge of preventing anybody from entering or leaving the room (EUROCONTROL).

The goals of debriefing are to:

- Reduce the stress reactions,
- Accelerate normal recovery processes,

- Identify people who need additional support,
- Bring people back to their normal functions (ibid, Critical Incident Stress Management: User Implementation Guidelines, 2008).

4.4.2.1 Defusing Crisis Incident Stress

Defusing is a shorter (20–60 min) and less formal process. A technique to encourage people to talk is not needed as the group is smaller, and the steps are followed in a somewhat less formal way (Fig. 4.4).

1. Introduction phase: The debriefer introduces him/herself, the "rules" of the game and asks each participant to introduce him/herself.
2. Exploration phase: This phase corresponds to the fact, thought, reaction, and symptoms phases of CISD, grouped and performed more flexibly (within 10–30 min).

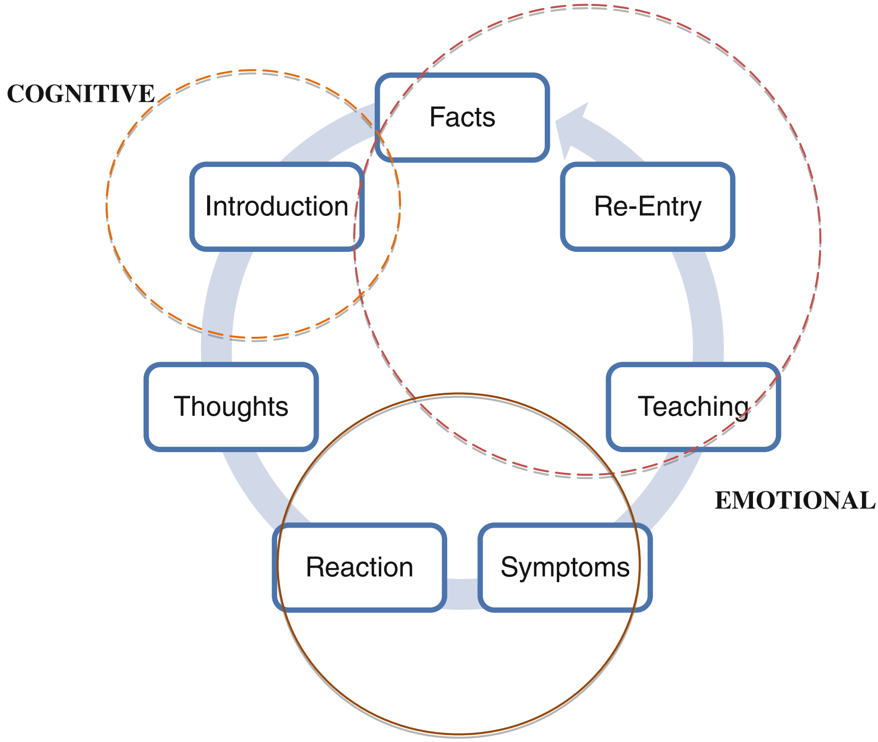

Fig. 4.4 Compared with defusing and debriefing (EUROCONTROL)

3. Information phase: Corresponding to the teaching and reentry phases of CISD (not to be confused with our information phase of the CISM program).

The goals of the defusing are to:

- Reduce stress and tension,
- Accelerate a return to normal function,
- Identify individuals who may need further assistance, and
- Prepare the participants to accept further services if they are required
- (ibid, Critical Incident Stress Management: User Implementation Guidelines, 2008).

4.5 Crisis Response Team

The typical organized crisis intervention team has a mix of members from different parts of one organization or they have representatives from a variety of different organizations who work together. It is not uncommon to have police officers, fire fighters, paramedics, mental health professionals, chaplains, nurses, and other CISM-trained support personnel serving on the same team. On an aviation team there may be pilots, flight attendants, ground personnel, managers, flight safety personnel and mental health professionals. Air traffic control organizations generally have their own teams, but they are more than willing to combine their efforts with other teams if the circumstances warrant their involvement. When a critical incident of sufficient magnitude occurs, it is a common practice for many crisis response teams and organizations to unite into a task force to provide the best assortment of crisis intervention services (ibid, s. 19).

On most teams, which have combined many organizations into a unified system, when they receive a call for assistance, specific personnel are deployed from the team. For example, if law enforcement support services are required, only law enforcement personnel and specified mental health professionals are deployed to manage the situation. Likewise, in aviation, if a flight deck crew is dealing with a traumatic incident, only pilots and specified mental health professionals would be deployed from a CIRP team. Any combination of team members and tactics that appears to be helpful to support a distressed crew should be used (ibid).

These combinations are part of a strategic approach that matches resources to the needs of a group and to the individuals within that group. There is at least one major advantage in having all the personnel in a specific geographical area belong to the same team. In the event of a large-scale event, peers from different professional groups who belong to the same team can work together (ibid, s. 19).

4.6 Quality Management and Evaluation in Crisis Incident Stress Management Program

4.6.1 Quality Management

QM serves to: Increase the satisfaction of internal and external clients and continuously improve performance. Both targets require feedback loops into all stages of CISM implementation and operation. If, for example, the feedback of controllers (internal clients) is negative and manifests in high rejection rates of CISM offers, this can be due to poor quality of CISM introduction, inappropriate CISM peer selection and training, or missing management support after implementation. QM requires extensive data gathering and feedback. The checklists contain key questions on what to look for or provided in your quality system (ibid, Critical Incident Stress Management: User Implementation Guidelines, 2008).

4.6.2 Evaluation

This section provides general guidelines for the evaluation of Critical Incident Stress Management (CISM) Programs. Best practice evaluation requires on the one hand interdisciplinary, theory-led and methodologically sophisticated work and on the other hand a priori definitions of targets and evaluation aims. Although the targets can also be defined after implementation, an evaluation process starts ideally with the planning of an intervention, in this case CISM. Especially in this case, the handling of sensitive personal data is critical and is therefore addressed in:

- Evaluation as an interdisciplinary field
- Definition of targets
- Evaluation model, design, and procedure
- Evaluation tools and procedure
- Making use of feedback (ibid, Critical Incident Stress Management: User Implementation Guidelines, 2008).

4.7 CISM Effects to Safety Culture and Corporate Culture

CISM has affected the corporate culture in our company; there have been many positive effects with regard to communication and the understanding of reactions to critical incidents. Our staff has realized that the statistics serve the program and are not used against individual staff members. If the management of a company understands the importance of the program at a very early stage and supports its implementation, the staff will respond positively and see that they will benefit from it. Staff members feel that it is in place to directly support them (Riedle, 2006, s. 8–9).

CISM also affects our safety culture. This affects our safety culture in different ways: Mistakes are dealt with more openly, which leads to a lessons learnt effect. The know-how that is gained during and after incidents is applied within the company. This process directly contributes to a safety culture, it helps a person to learn from mistakes and avoid making the same ones again. It also affects other groups within the organization, such as the safety boards and incident investigators (Riedle, 2006, s. 8–9).

Managers in operations are an essential part of the CISM program. Staff and management have been shown that learning from mistakes is taken seriously, that dealing with incidents increases safety and that we do not aim at blaming or punishing individual employees. CISM has helped companies achieving all this and make it part of their corporate culture (Riedle, 2006, s. 8–9).

4.8 Crisis Incident and Crisis Incident Stress in Aviation

The aviation industry's focus on safety leads to careful scrutiny of its personnel. Pilots and air traffic controllers must be medically screened on a routine basis to be in compliance with Federal Aviation Regulations. Conditions that would restrict their performance include many of those listed as symptom complexes for acute stress reactions, PTSD, or the variety of other psychological or medical complications that may arise. Self-evaluation of the impact of stress on an individual's ability to function in demanding environments is difficult. Pilots and air traffic controllers may also face the dilemma of reporting psychological symptoms because revealing a mental health condition could later compromise their medical certification, and therefore their livelihood. In a safety culture where individuals are carefully monitored to minimize risks of performance problems, it may be difficult to identify impaired individuals in a proactive way (Kenville, ve diğerleri, 2009).

Aviation employees experience the many critical incidents that virtually every adult experiences in the course of their life and work. There are, however, critical incidents that are specific to the aviation industry. These critical incidents challenge, and frequently overwhelm, the coping abilities of individual employees or entire aircraft crews (ibid).

Whether they are the powerful general events that impact most people or the aviation specific situations listed in the previous section, critical incidents are the beginning point of the critical incident stress reaction. As noted earlier, critical incidents cause an acute state of emotional turmoil called a crisis. Critical Incident Stress is the cognitive, physical, emotional, spiritual state of arousal that accompanies the crisis response. When thinking, feelings, bodily functions, and belief schemes become aroused by exposure to a critical incident, behavior changes. For example, if a person becomes frightened, he or she may run away or hide. Running and hiding are behaviors that occur as a result of the crisis reaction (ibid).

The aviation industry has unique aspects as well. While the nature of CISM services is to address these types of issues, individuals are expected to face events that are associated with physical trauma. While Posttraumatic Stress Disorder (PTSD) is a well-known diagnosis, training and experience will offer some familiarity (not immunity) with these types of reactions. The aviation industry, outside the fire/rescue and security forces, may have personnel who may have not dealt with the stress of a disaster at any level in the course of their careers. This is not to say they are incapable of managing the incident, but as a group, they may have individual training or recovery needs that differ as a result of their work experience. These include the relative infrequency of aviation disasters compared to fire/rescue/police operations; the potential for a large-scale event; the potential of responsibility or blame for the accident on those who are now asked to be involved in the disaster support process; the large number of people (passengers, family members, rescuers, press, investigators, etc.) needing support services; and the intense press presence (Kenville, ve diğerleri, 2009, s. 7).

Factors that predict resilience have been identified. These factors may be considered for selection in high performance teams (e.g., military or exploration teams), but may not be seen as a viable screening tool for hiring in the aviation industry (Kenville, ve diğerleri, 2009 s. 7–8).

4.9 Crisis Incident Stress Management Strategic Programs for Aviation

Strategy is the art and science of maneuvering one's resources into the most advantageous position in order to improve the chances of a successful outcome. It implies that the right people provide the right services to the appropriate targeted populations in the best possible time frame and under the most advantageous circumstances. An appropriate strategy is one reason why the Critical Incident Response Program (CIRP) or Critical Incident Stress Management (CISM) programs have been so well received by the aviation industry. They contain all of the elements of a sensible strategic approach to crisis intervention services. Here are the key elements of a sensible strategic psychological first aid program for aviation (Leonhardt, 2006, s. 34):

Assessment skills. The CIRP or CISM team should be able to assess both the severity of the incident and the level of distress in the personnel who were involved in or who witnessed the traumatic event.

Strategic planning skills. The CIRP team members should be able to develop a comprehensive, integrated, systematic and multi-component (CISM) approach to assisting traumatized individuals or groups within aviation.

Multi-tactic approach. No one crisis intervention service will be suitable to all people at all times and under all circumstances. A multi-component approach is the only realistic and sensible approach that is likely to be effective in crisis intervention within the aviation industry (see the sections on Critical Incident Stress Management earlier in this chapter).

Follow-up services. Once a series of crisis intervention services have been provided, it is essential that CIRP or CISM team members reconnect with individuals or group members to assure that they are in fact recovering from the traumatic experience. Telephone calls, visits to the work site ,or to a person's home are crucial follow-up crisis intervention techniques in the field of emotional or psychological first aid.

Linkages to professional care. The vast majority of people in the aviation industry do not need professional psychological care. It would be irresponsible, however, not to have in place links and referral mechanisms to professionals for the few who would benefit from these services. In addition, CIRP or CISM team members need professional oversight and guidance to assure that their psychological first aid services are the very best available.

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Chapter 5
Linkages Between Risk and Human Resources Management in Aviation: An Empirical Investigation and the Way Forward in Selection of Ideal Airport Manager

Abstract Strategy, in the global business environment, is tied to competitiveness. Human resource management is inextricably linked with other organizational management functions as contemporary organizations are in need of both competent and globally minded human resource talent. To achieve this aim, organizations must exercise care in creating both a strong and sustainable organizational culture. Furthermore, in aviation, risk exists in people, procedures, equipment, acts of nature, security, and so on. The record of safety in the industry shows us that the human element in aviation presents the biggest risk for such reasons as attitude, motivation, perception, ability, awareness level, culture, discipline, ethic, training, and so on. Enterprise/corporate risk management-based strategic approach helps organizations improve performance in both competitive and differentiation areas such as training and awareness, culture and attitudes, individual creativity, and developing innovative risk solutions. In seizing opportunities and minimizing operational losses, managers should integrate their strategy and human resource practices with risk management. We assume that considerable interrelations exist between corporate strategy, human resources management, organizational and national culture, and values of individuals and risk management. These interrelations have the potential to affect corporate strategy. Risk management presents reasonable assurance to improve a corporation's talent management, competitive human resource management, and employer branding, as well as to ensure effective ways of education and training, and recruit and retain high-performance workers at all levels. Hasan Polatkan Airport which is operated by Anadolu University has a unique structure among international airports in the world in terms of that it is

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operated by cooperation of government and university and its operations are international. A problem with this research is flexibility, which is needed due to the university's autonomous structure and dynamic nature of the aviation industry, and conflicts with bureaucracy that have dominant position on government. We will present our research which was designed via the Analytic Hierarchy Process (AHP) methodology applied to personnel selection at Anadolu University Airport. An analytic hierarchy model has been created with the purpose of determining priority personnel selection criteria. The model has been analyzed through a sample using the AHP which is a multi-criteria decision-making method. Saaty Compliance Indicator has been used to understand how close estimated values obtained via AHP to actual data. It is possible that the model developed can be generalized for the aviation industry. We aim to contribute to the management and strategy field via help improvement awareness to the strategic human resource management together with this model.

Keywords Strategy · Management · Human resource management · Personnel selection · Risk management

5.1 Introduction

Eskisehir Hasan Polatkan Airport is an international airport that is both managed by and located within the Faculty of Aeronautics and Astronautics, Anadolu University. Anadolu Airport has unique qualifications. The Faculty of Aeronautics and Astronautics, a pioneering institution in aviation training, offers undergraduate programs in Avionics, Air Traffic Control, Airframe and Power Plant Maintenance, Aviation Management and Flight Training. The faculty aims to train qualified pilots, air traffic controllers, airline and airport management staff, and aircraft maintenance personnel in accordance with international aviation standards and regulations for the air transportation industry. It operates its own international airport with all air traffic control and ground services, SHY-145 approved aircraft maintenance center and fleet of 15 aircraft including King Air C90, Cessna 172 and TB20. For practical trainings, the faculty has state-of-the-art synthetic training devices such as 360-degree aerodrome tower, ACC/APP radar control, and FNPTII and MCC flight simulators. In addition, students can have hands-on experience in their respective field of study at 28 well-equipped laboratories and workshops. Management of this kind of organizations has unique difficulties related to the high risk incident nature of the business. For this reason, it is important to manage human resources in a strategic way.

Human resource management is an essential strategic resource for a society and for every type of organization. As a result that practical and bright human resource service is very fundamental for employees of an organization. So, we have to pay special attention in collecting correct information for selecting employees and employees of the organization (Mehrabad & Brojeny, 2007).

Personnel operations have a high impact for organizational evolution. Some of the most important personnel operations are as follows (Mehrabad & Brojeny, 2007):

- Decision-making about selection the best candidate with respect to applicants and organizational characteristics.
- Planning the human resource for competitive advantage.
- Decision-making about necessary suitable training for employees.
- Defining the important responsibilities of job or job definition.
- Evaluating and determining the payment parameters of employees in reference to their jobs.
- Representing a clear image of working environment and future of their career.

Nowadays, many companies cope with high employee turnover. It affects a business negatively and causes extra expenses, loss of revenue, and demoralizes other employees. For this reason, companies struggle to decrease the turnover rate. This is also important for airport employee turnover. Moreover, manager turnover in an airport has an effect on the performance. Some of the causes of the high employee turnover are errors in employee selection, job dissatisfaction, and poor management. The best way to decrease employee turnover is by choosing the right person (Kaluginaa & Shvydun, 2014).

Human resources are one of the essential functions of an organization (Lin, 2010). It is also a key issue in terms of companies' differentiation, gaining competitive advantages and sustainability, and is also a determining factor regarding a company's future. Among the functions of human resource management, personnel selection considerably influences the character of employees and quality of administration; hence, it has attracted intensive attention and is an important topic for organizations. Selecting an appropriate person, an effective personnel selection method should be able to support the organization in for a given job (Lin, 2010). Human resource is important for a company. Moreover, managers, who have the capability to use human resource accurately, are more important.

The aviation industry, having a great impact on every country's economic growth and direction, began to need more qualified staff after The Airline Deregulation in 1978. Human resources with strategic importance should be able to think analytically and swiftly relying on appropriate information. Managers are also of great importance for airport businesses as it is one of the most challenging sectors. With this research, we aim to construct a framework of implementation for the selection of ideal airport managers using the multi-criteria decision-maker method AHP. As such, the value of the work may be significant for aviation literature.

5.2 Literature

Human resources are of critical importance for companies. Through human resource selection, critical decisions linked to a company's future development are addressed. The Analytic Hierarchy Process (AHP) is a human resource selection method. Various research conducted using the AHP method on human resources include (Ünal, 2011; Özgörmüş, Mutlu, & Güner, 2005; İbicioğlu & Ünal, 2014; Doğan & Önder, 2014; Atan, Atan, & Altın, 2008).

5.2.1 Analytic Hierarchy Process

Analytic Hierarchy Process, created by T.L. Saaty, is one of multi-criteria decision-making methods. AHP helps problem-solving via structuring hierarchy around objective by adding main and sub-criteria determined by decision-makers, and finally, alternatives at the bottom as shown in Fig. 5.1.

The hierarchical structure should be complex enough to adequately to reflect the situation, but small enough to be capable to alterations (Saaty, 1987). The most creative task in making a decision is to choose the factors. In AHP, we build up these factors; hierarchic structure comes from an overall goal to criteria, sub-criteria and alternatives in successive levels. Once the structure is created one must contain enough relevant detail to (Saaty, 1990):

- Represent the problem as properly as possible, but not so thoroughly as to lose sensitivity to change in the elements,
- Take into consideration the surrounding of the problem,
- Describe the issues or attributes that contribute to the solution, and
- Describe the participants associated with the problem.

The mathematical method is common among researchers owing to its simplicity to implement to almost each area and its qualification that can bring together qualitative and quantitative factors as criteria. The AHP has been used in various areas such as personal, political, manufacturing, social, management, education, and other fields (Vaidya & Kumar, 2006). Also, the main application types of the method are alternative selection, resource allocation, forecasting, business process re-engineering, quality function deployment, balanced scorecard, benchmarking, public policy decisions, health care, and more (Bhushan & Rai, 2003).

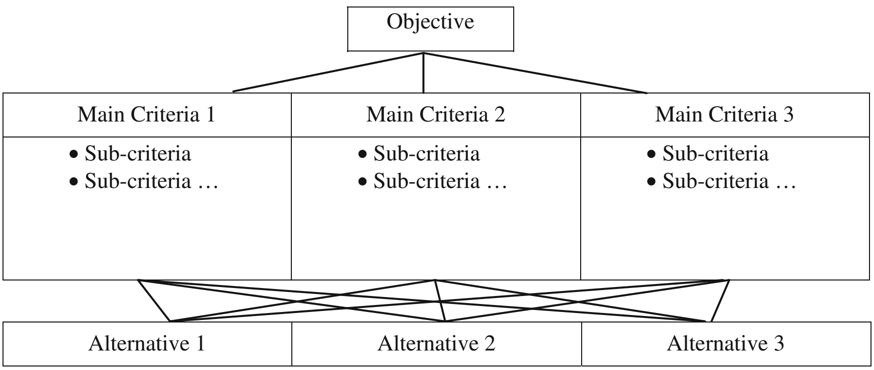

Fig. 5.1 Basic hierarchy structure

The AHP that has made our complex decision-making problems easier, as it has four basic steps as follow (Islam & Saaty, 1995):

1. Creating a hierarchy: In this step, the problem is transformed to a multiple level hierarchical structure adding criteria at each level. Also, criteria are decomposed in turn.
2. Prioritizing: By making pairwise cooperation at each level, the impact degree of criteria are determined depending on experience and knowledge of decision-makers using fundamental scale of AHP of certain values 1–9.
3. Mixing priorities: The priorities are brought together via the *Principle of Hierarchical Composition* to obtain the final evaluation of the possible alternatives.
4. Analyzing the sensitivity: During this final step, the importance of each criteria is changed to test whether results are stable or not.

The overall procedure of the AHP is shown in Fig. 5.2 (Ho, 2008).

The AHP is a theory of measurement. This is done within pairwise comparisons and relies on the judgements of expert to derive priority scales. The comparisons are made using a scale that represents, how much more, one element dominates another with respect to a given attribute. We require a scale of numbers that indicates how many times more important or dominant one element is over another element to make comparisons. Table 5.1 exhibits the scale numbers (Saaty, Decisions-making with the analytic hierarchy process, 2008).

5.2.2 Methodology

In this part, the AHP method is utilized as a tool for implementing multiple criteria personnel selection problems. Expert opinions were used for determining the selection of airport manager criteria. Besides that, it was reviewed the literature. An attempt was made to select criteria that are necessary for an airport business manager in light of literature review. When comparing expert opinion and the literature, most of the criteria received from expert opinion were the same as the literature. In the AHP method, identification of hierarchy is the key component of using AHP. The data obtained while determining criteria is structured as a hierarchy. The AHP breaks a complex multi-criteria decision-making problem into a hierarchy of relevant decision elements from the beginning. It initially breaks a complex multi-criteria decision-making problem into a hierarchy of interrelated decision elements.

Hasan Polatkan Airport (IATA: **AOE**, ICAO: **LTBY**) is an international airport that both managed by and located within the Faculty of Aeronautics and Astronautics, Anadolu University. Anadolu Airport has unique qualifications. Faculty of Aeronautics and Astronautics, a pioneering institution in aviation training, offers undergraduate programs in Avionics, Air Traffic Control, Airframe and Power

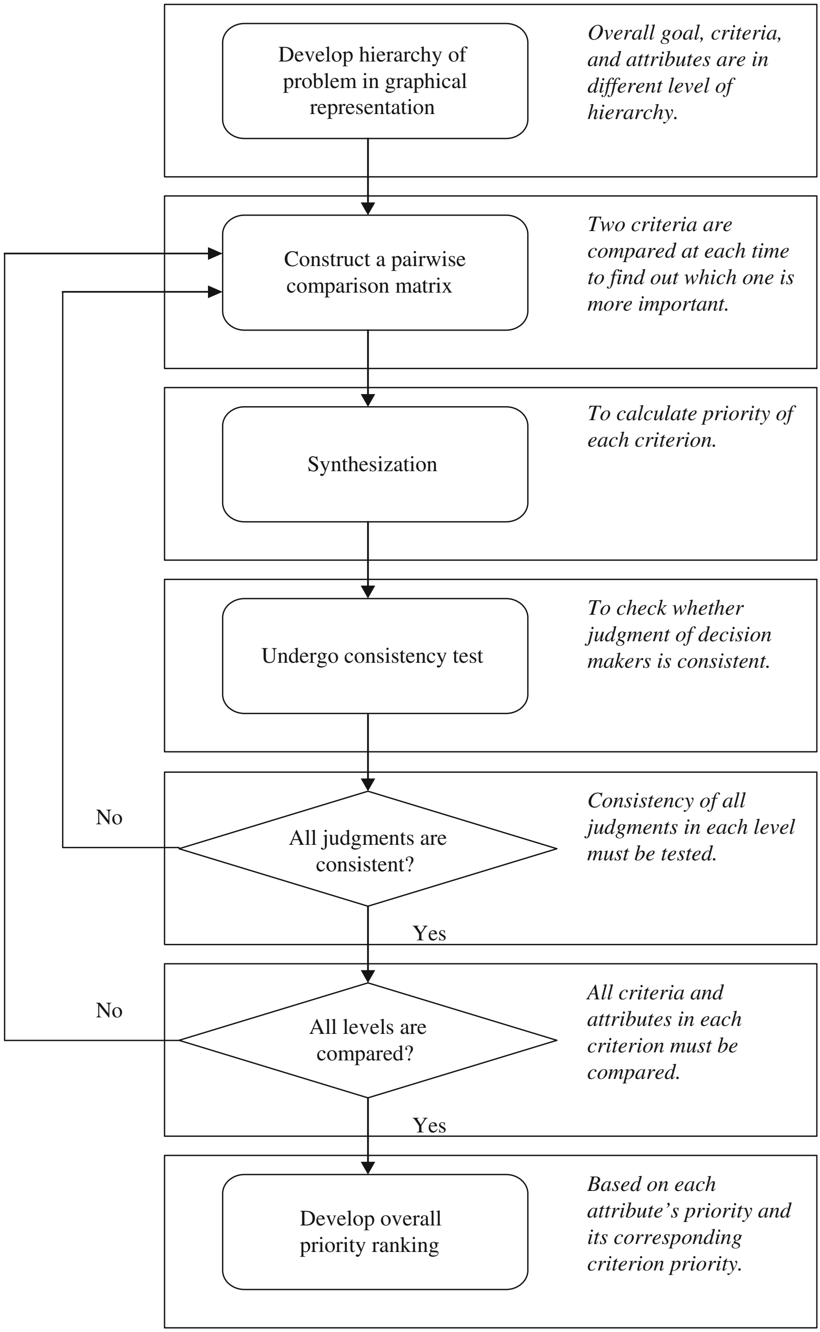

Fig. 5.2 The flow of the analytic hierarchy process

Table 5.1 The fundamental scale of absolute numbers

Intensity of importance	Definition	Explanation
1	Equal importance	Two activities contribute equally to the objective
2	Weak or slight	
3	Moderate importance	Experience and judgment slightly favor one activity over another
4	Moderate plus	
5	Strong importance	Experience and judgment strongly favor one activity over another
6	Strong plus	
7	Very strong or demonstrated importance	An activity is favored very strongly over another; its dominance demonstrated in practice
8	Very, very strong	
9	Extreme importance	The evidence favoring one activity over another is of the highest possible order of affirmation
Reciprocals of above	If activity *i* has one of the above nonzero numbers assigned to it when compared with activity *j*, then *j* has the reciprocal value when compared with *i*	A reasonable assumption
1.1–1.9	If the activities are very close	May be difficult to assign the best value but when compared with other contrasting activities the size of the small numbers would not be too noticeable, yet they can still indicate the relative importance of the activities

plant Maintenance, Aviation Management, and Flight Training. The faculty aims to train qualified pilots, air traffic controllers, airline and airport management staff, and aircraft maintenance personnel in accordance with international aviation standards and regulations for air transportation industry. It operates its own international airport with all air traffic control and ground services, SHY-145 approved aircraft maintenance center and fleet of 15 aircraft including King Air C90, Cessna 172 and TB20. For practical trainings, the faculty has state-of-the-art synthetic training devices such as 360-degree aerodrome tower, ACC/APP radar control, and FNPTII and MCC flight simulators. Besides, students can have hands-on experience in their respective field of study at 28 well-equipped laboratories and workshops (https://www.anadolu.edu.tr/en/academics/faculties/311/havacilik-ve-uzay-bilimleri-fakultesi/general-info). Management of this kind of organization faces unique difficulties; for this reason, it is important to manage human resource in a strategic way.

With AHP, the objectives, criteria, and alternatives are arranged in a hierarchical structure. In order to determine the optimal personnel alternative, this study

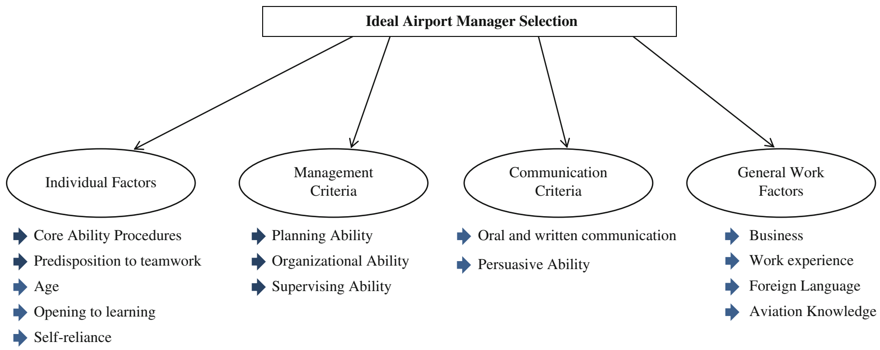

Fig. 5.3 The hierarchy of ideal airport manager selection

addressed the criteria and sub-criteria using a four level hierarchical model (as seen in Fig. 5.1).

The first level is objective. For our research, objective is the determination of the most eligible airport manager. The goal is divided into four main criteria, which are individual factors, management criteria, communication criteria, and general work factors. The third level of hierarchy includes alternatives.

The four main criteria include sub-criteria. First, individual factors are divided by five sub-criteria, namely core ability, predisposition to teamwork, age, opening to learning and self-reliance. Secondly, management criteria are divided by three sub-criteria, namely planning ability, organizational ability, and supervising ability. Third, communication criteria are divided into two sub-criteria, namely oral and written communication, and persuasive ability. Last, general work factors are divided in four sub-criteria, namely business procedures, work experience, foreign language, and aviation knowledge.

After building a hierarchical model of the problem, binary comparisons are created. In hierarchical models regarding objective criteria, bilateral comparisons are made based on a scale of 1–9 (Fig. 5.3).

5.2.3 Findings

In the process of selecting the ideal airport manager, priorities are revealed by analyzing main and sub-criteria in detail. Findings are summarized in Table 5.2.

When we look into priorities of main criteria, it is revealed that communication criteria is more important with its 0.460 points than other main criteria like individual, management and general work criteria. Also, oral and written communication is the most important communication criteria with its 0.869 points. So, human resource managers should consider whether a person is powerful or not about this criteria in selection of ideal manager. As for the other communication criteria, persuasive criteria is one of sub-criteria that has the lowest points, unlike oral and

Table 5.2 General synthesis table

Level 1	Level 2	Alts	Prty
Individual factors (L: 0.162)	Core ability (L: 0.113)	Alternative A	0.011
		Alternative B	0.003
		Alternative C	0.004
	Predisposition to teamwork (L: 0.284)	Alternative A	0.031
		Alternative B	0.009
		Alternative C	0.006
	Age (L: 0.025)	Alternative A	0.002
		Alternative B	0.001
		Alternative C	0.001
	Opening to learning (L: 0.230)	Alternative A	0.021
		Alternative B	0.010
		Alternative C	0.006
	Self-reliance (L: 0.349)	Alternative A	0.036
		Alternative B	0.009
		Alternative C	0.012
Management criteria (L: 0.298)	Planning ability (L: 0.400)	Alternative A	0.060
		Alternative B	0.018
		Alternative C	0.041
	Organizational ability (L: 0.200)	Alternative A	0.040
		Alternative B	0.007
		Alternative C	0.013
	Supervising ability (L: 0.400)	Alternative A	0.053
		Alternative B	0.040
		Alternative C	0.026
Communication criteria (L: 0.460)	Oral and written communication (L: 0.869)	Alternative A	0.064
		Alternative B	0.236
		Alternative C	0.100
	Persuasive ability (L: 0.131)	Alternative A	0.042
		Alternative B	0.011
		Alternative C	0.006
General work factors (L: 0.080)	Business procedures (L: 0.084)	Alternative A	0.003
		Alternative B	0.002
		Alternative C	0.002
	Work experience (L: 0.310)	Alternative A	0.015
		Alternative B	0.005
		Alternative C	0.004
	Foreign language (L: 0.550)	Alternative A	0.021
		Alternative B	0.009
		Alternative C	0.015
	Aviation knowledge (L: 0.056)	Alternative A	0.002
		Alternative B	0.001
		Alternative C	0.001

Fig. 5.4 Ranking of the alternatives

written criteria with 0.131. The second important main criteria is management criteria. Here, planning and supervising ability are of equal importance (0.400) and also, are more important than organizational ability (0.200). The main criteria that ranks third in terms of importance is individual factor. Self-reliance is the most important individual sub-criteria with 0.349 points, and the second important sub-criteria is predisposition to teamwork with 0.284 points. The remaining sub-criteria of individual factors are, respectively, open to learning (0.230); core ability (0.113); and finally, age (0.025). The least significant main criteria is general work criteria with 0.80 points. In this criteria, foreign language comes at the forefront rather than others with 0.550 points. Sub-criteria of work experience comes second in importance among general work criteria with 0.310. Others are, respectively, business procedures (0.84) and aviation knowledge (0.56). Thus, it can be understood if an alternative for ideal manager selection has foreign language and some work experience, even if that alternative is not familiar with aviation business procedures and aviation knowledge though airport business belonging to the aviation industry, selection possibility for that alternative is high. While a selection for airport manager is made, criteria which are most considerable are oral and written communication (0.869), foreign language (0.550), and two equal sub-criteria of management-planning and supervising (0.400). Criteria of least importance are age (0.25), business procedures (0.84), and aviation knowledge (0.56).

Together with implementation, three potential candidates were evaluated by decision-makers for the purpose of selecting an ideal airport manager. Main and sub-criteria were considered and prioritized according to their weights. Ranking of alternatives for aim is presented in Fig. 5.4. As a result of ranking alternatives weights, Alternative A with 0.401 points was selected as airport manager. The remaining alternatives are ranked, respectively, as Alternative B (0.360) and Alternative C (0.239).

5.3 Conclusion

In this work, a model is provided for ideal manager selection for airport businesses problem. Human resources have critical importance for companies. While this resource selection—leading the company's future—is made, a number of methods have been used by the human resources manager. AHP is one of these methods. Using this method, a hierarchy is created and criteria are determined. After building a hierarchical model of the problem binary comparisons are created. In hierarchical models related to objective criteria, bilateral comparisons have been made based on the basic scale of 1–9 according to the objective criteria.

The most important finding of this work is that communication criteria is more important ranking 0.460 points compared to the other main criteria. Also, oral and written communication is the most important communication criteria with 0.869 points. While selection for an airport manager is made, criteria which are most considerable are oral and written communication (0.869), foreign language (0.550) and two equal sub-criteria of management, and planning and supervising (0.400). Criteria which have the least importance are age (025), business procedures (084), and aviation knowledge (056).

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Chapter 6
Case Studies for Enterprise Risk Management from Leading Holdings: TAV Airports Holding and BRISA Bridgestone Sabanci Tyre Manufacturing and Trading Inc

Abstract In this chapter we present case studies from Turkey's Leading international companies: TAV Airports Holding and BRISA Holding. In an effort to understand Enterprise Risk Management in applied settings, this chapter provides valuable direct insights from leading corporations in Turkey. For that we are indebted to key corporate managers, Esin Rodoplu Kablan (TAV) and Cumhur Bilgili (BRISA), who authored the cases.

Keywords TAV Airports Holding · BRISA · Enterprise risk management · Business management and strategy · Corporate culture · Leadership · Risk culture

6.1 TAV Airports: Turkey's Global Brand in Airport Operations

TAV Airports is Turkey's global airport operator, with 14 airports on 3 continents, in 7 countries, and provides service in all areas of airport operations. The company was founded in 1997 and has since grown considerably into one of the world's leading airport operators with over 15,000 employees. In 2015, TAV Airports served nearly 780 thousand flights and 102 million passengers. The Company's shares are listed on Borsa Istanbul Stock Exchange since February 23, 2007, under the name of "TAVHL".

Since TAV Airports claim to be a dedicated player in the "Aviation Industry", and its final customers are airlines and "flying passengers", it is crucial to be present in all complementary businesses that provide the required services to the airport users. Therefore, TAV Airports gathers two different sets of companies linked to each other in a matrix organization format under its roof. One is "Airport Operating Companies" that perform the company's core business, and the other is "Services Companies", specialized in complementary businesses, in order to generate non-aviation revenues.

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TAV Airports offers food and beverage and accommodation with BTA; ground handling services and airport transfer to passengers with HAVAŞ; operation and management services with TAV O&M; sells duty-free items with ATU; provides airport information technology solutions with TAV IT; and handles private security issues with TAV Security. This strategy also enables the organization not to rely upon the aviation revenues solely and brings in diversification into revenue generation sources.

6.2 TAV's Approach to Enterprise Risk Management (ERM)

TAV Airports is one of the first non-financial organizations in Turkey, which realized the importance of ERM function at its top management level. This is a result of the priority assigned to TAV's shareholder value because TAV believes that ERM function's utmost goal is to increase the shareholder value by eliminating weaknesses in all concerned risk areas, hence enhancing corporate performance. TAV's top management is highly aware that the investors today do not only base their investment decisions on companies' financial performances, but also pay attention to their approach toward governance, resilience, risk management activities, and even social and environmental issues. In parallel, ERM approach is getting considerable attention in recent years from regulatory bodies and rating agencies. According to Turkish Commercial Code (TCC), which has been updated in 2012, t public companies like TAV are obliged to establish a risk management system and risk committee. An independent auditor of public companies in Turkey has to check whether the risk management system and risk committee is established or not based on article 398 of TCC, and prepare a separate report on this subject, as well as the adequacy of the ERM system and structure. In addition to that, rating agencies have begun to incorporate ERM reviews into their rating process for non-financial companies. Acquiring a sufficient standard of expertise regarding ERM will provide a positive impact on the cost of borrowing in the near future. In 2008, much earlier than legal obligations, the first ERM initiative began with small steps at TAV Holding level and evolved over time. ERM function was established in TAV Airports Holding Co., with the assistance of a well-reputed independent advising company during 2010. Now, the ERM approach has been adopted by all Group Companies. ERM function is young in TAV organization, but still where the company stands now may be a few steps ahead of other players in their region. TAV Group CEO Dr. M. Sani ŞENER summarizes their enterprise risk management approach in the following manner:

> According to our understanding, ERM is more than just a process or program. It is a cultural shift for us. There are lots of different ways to do risk management in an organization. However, we have a tailor-made and unique ERM structure which designed what works best in our company and environment, rather than following a generic way. ERM is part of our management vision and strategic decision-making process in TAV by helping make risks, threats and even opportunities a part of the everyday agenda. In our highly competitive environment our senior managers need to decide fast and act fast accordingly;

and at the same time be aware of possible impacts of the risks and opportunities involved, not to endanger our shareholder value. At TAV, we strongly believe that without risk there would be no gain. If risks take root from uncertainties, what is the extent we are willing to accept uncertainty to increase our shareholder value? The answer of this question indicates where TAV's risk appetite stands: Maintaining the balance between

- accepting uncertainties in expectancy of potential opportunities
- and protecting the shareholder value.

TAV is a comparatively young and fast growing Group with a healthy risk appetite. Thereby, having an effective risk management approach is very critical. Therefore, to identify and accept the presence of potential risks must be the first step to be taken before significant actions are taken. If we grow overly confident, and ignore a particular risk, we may have to face and deal with its aftermath when it happens, and at that stage we may be able to do "crisis management", not "risk management". We do not mean to underrate the significance of crisis management by saying that. However, if we recognize the risk in the first place and measure its possible impact on our business beforehand, we would be taking our business decision accordingly.

Thus, even if we cannot prevent its happening (like in force majeure situations), we might have a backup plan ready to mitigate and deal with its impact, hence limit our potential losses. Consequently, risk management mindset is a usual way of doing business according to our corporate culture.

6.3 The Evolution of "ERM" at TAV

An ERM program's success is driven by sustainable support from top management, and implementation process of ERM program was relatively easy to run in TAV Group, thanks to strong top management support. The ERM framework was initially designed together by TAV's Internal Audit and Risk Management teams with the assistance of an independent advisor, and an ERM kick-off meeting was held at the end of 2009 with the attendance of CEOs and executives from all Group Companies. Within the scope of the initial ERM Project, a risk assessment process was developed; enterprise level workshops and risk assessments were conducted; and TAV's risk management principles, language, and implementation plan were built during 2010. Besides, the company's risk appetite and risk tolerance level were determined. In order to quantify risk appetite, financial and operational executives came up with a calculation that includes such factors as materiality level, probability of annual loss and business interruption, time, etc. During the ERM implementation period, the team was interviewed by a group of executives, and together they discussed both potential and emerging risks. These risks were scored based on likelihood and a five-level impact scale.

As a result of the initial ERM studies, roughly 270 potential risks have been defined at Holding Company level and this was announced with a brief memorandum on the subject in the BoD meeting; thereafter, the ERM Team carried on with their activities to revise what has been achieved during the initial period since ERM is a living function in the organization; risks and the related action plans to mitigate them must be reviewed periodically, re-assessed, and re-defined if necessary. Meanwhile, the ERM Team started to introduce the same risk management setup to all TAV Airports Group Companies. The ERM program in TAV has evolved into a much more mature level today. There is an obvious change in risk management approach and mindset; whereas during the first risk evaluation cycle some executives opted not to state any risk definitions or action plan recommendations in relation to certain risks; instead, they were asking and expecting to have senior management's opinion first. However, today, TAV has different platforms such as roundtable meetings, workshops, and risk committees which improve overall communication and provide a robust discussion around potential risks. Now, TAV has reached a point where people can voice risks objectively and actually start thinking about risk differently as downsides and upsides. In addition, TAV believes that sustainable business development should be contributing to a better quality of life today, without compromising future generations' quality of life. TAV embraces this business approach and binds it with its risk management function. TAV aims to pre-determine the social, environmental, and economic aspects of its activities, and manage them in a proactive, systematic, and sustainable way.

Currently, the enterprise risk management approach has been embedded into each of TAV Airports' subsidiaries, which has a different phase of the program, from the initial stages to the most mature programs. As TAV Airports, we still continue to work hard to improve current processes with effective updates by following best practices, and to ensure a fully matured ERM discipline at each level of our organization. However, ERM is not a one-time event or effort, and the natural consequence of this reality is that a successful ERM program takes time to evolve.

6.4 TAV's ERM Process in Practice

In an ERM exercise at TAV, we (the ERM Team) define the strategic goals as the first step. We have to make sure that, starting from the top management level going down to process owners, everybody in the organization is aware of and agrees on the definitions of the strategic goals of the company.

This is the first step because we define the risks as threats and barriers preventing/delaying our process in attaining them. Then we determine the main processes and their managers, because each process in the organization fulfills its part to reach company goals. Meanwhile, an executive officer from each of the Group's Companies is appointed as "Risk Champion", who is trained by the ERM Team, to support the ERM process and orient staff to ensure that our ERM mindset is embedded in the Company's business processes. The role of the risk champions during the ERM process is crucial. This is why we extremely care about who will be the risk champion in the Group's Companies since they play a key role in the ERM process. With managers of each process we discuss the way they run their operations, the difficulties they face, the past events/experiences that affected their business, and even opportunities they foresee. Confidentiality of ERM interviews is very important in making participants feel secure in speaking freely about risks. To determine and define the risks involved, we ask ourselves this question: which situations—lack of what—may propose a threat to the performance of the company on the way to achieve its goals? At this stage of the exercise, to maintain an objective view, together with a touch of imagination, it is very important not to leave out any risks that may affect the performance of the subject process and company.

ERM takes under its responsibility all types of risks—financial operational, strategic, legal and compliance, organizational, etc. In our ERM practice, we call the managers of the processes "risk owners" who are in fact the real risk managers. From this angle, it should be easy to understand how seriously the risk owner takes this "ownership" on their own freewill. Ownership should not be imposed on. It is crucial that the risk owner agrees with the existence of that risk in the first place (recognition).

At this point, "recognizing" the risk is the key to successful risk management. A frequent trap that successful managers may fall into is underestimating or ignoring the risk. Underrating a risk may be due to the trust in one's own abilities too much. If you think you have the situation well under control, you tend to claim that the risk is eliminated and does not exist anymore. On the other hand, if this resistance cannot be broken, ERM function cannot succeed in its mission: Defined risks cannot be managed and mitigated with correct and timely actions initiated by their owners; no matter how closely the ERM Team try to follow up and monitor.

After defining all potential risks, risk owners evaluate them based on likelihood and impact scales which are designed in accordance with the company's risk appetite and tolerance. They decide whether the rate of a certain risk matches the target level, and they propose and initiate an action plan if the risk rate is higher than the desired level.

The ERM Team is responsible for all TAV Airports Group-wide risk management activities. The team provides the necessary base for ERM exercise and collects a lot of detailed information/data from each layer of the organization by coordinating, facilitating, and monitoring this process mentioned above. The team consolidates all risk inventories which come from the risk owners, then analyzes all the data and converts this large amount of information to "significant risk reports" which feed senior management in their strategic decision-making process. ERM reports contain the company's major risks and describe the risk statements, the mitigation plans, responsible people, and what metrics are used in the risk assessment process. In addition to company-based risk reporting, the ERM Team prepares a Holding level "One-page Risk Report" format which shows the top risks, S.W.O.T analysis, and risk mapping of TAV Airports at a glance.

ERM is a never-ending, ongoing process. Therefore, as the ERM Team, we periodically conduct a review of enterprise risk management process and update ERM exercises which are carried out in all TAV Airports Companies. We always aim to keep the process fresh, and wherever there is a potential risk, we determine it and add our risk universe in order to not to miss any threats. Updated ERM reports are presented to TAV CEO, Risk Assessment Committee, executives, and all management teams.

6.5 Risk Discussion Platforms in TAV

- Sub-Risk Committee and Roundtable Meetings

In 2014, we designed open-ended roundtable and sub-risk committee meetings where all business heads can discuss possible risk issues and solutions, to strengthen our "risk aware culture" in TAV organization, and to provide more discussion platforms for managers. A key purpose of these discussion meetings is to encourage people to talk more about risks and to create a space for differing opinions on risks or opportunities.

Currently, discussion of risks has a greater level of maturity in TAV, because discussion platforms provide a great way to compile and weigh opinions on potential risks since participants talk over their varied thoughts, and help the emergence of hidden risks in the organization.

ERM Team captures a lot of valuable information through these platforms and enriches the content of the ERM reports much more using this information. Therefore, strategic decision-makers in TAV enjoy advantages of TAV.

- Risk Assessment Committee

TAV Airports' Risk Assessment Committee (the Committee) was established in 2012 and commenced activity in accordance with the Turkish Commercial Code, and the communiques and framework of the corporate governance principles of the Capital Markets Board. The Committee consists of six members; two independent board members, two board members, and two independent committee members.

The Committee convenes at least six times per year to enable reporting to the Board of Directors (BoD) while considering the Company's risk condition, or more often if needed to ensure the effectiveness of its activities. In general, meetings are held every 2 months before the Board meeting. Agenda of Risk Assessment Committee meetings are formed based on the demands of the Committee members, and/or recent developments in our company. Depending on the agenda items, department heads are invited to the meeting to explain and discuss the subject. After the Committee meeting, detailed minutes are prepared by the ERM Team and draft minutes are circulated to all attendees for review. Then, the final document is distributed to the executives and the Committee members in order to provide accountability for the decisions made and actions taken. The responsibilities of TAV's Risk Assessment Committee are

– To review the adequacy of the enterprise risk management system at least once a year and make recommendations for its improvement;
– To assist the Board, focusing on the Company's most critical enterprise risks, mitigating actions and future risk strategy;
– To support the Board in identifying the opportunities that can enhance the profitability and the effectiveness of the operations of the Company, and oversee the undertaking of necessary actions to take advantage of these opportunities;
– To ensure that initiatives are carried out for advanced identification and management of all risks that could endanger the existence, development, and continuity of TAV Airports Holding and Group Companies and for the implementation of necessary measures to mitigate the risk identified;
– To evaluate major investment and sale/divestiture decisions, and setting the proper strategy for the Company by prudently assessing potential risks and opportunities; and
– To carry out other tasks that the Committee is responsible for pursuant to applicable laws, rules, and regulations, and review the enterprise risk management system at least once a year.

Edin Rodoplu,
Risk coordinator
TAV Airports Holding

6.6 Case 2: BRISA Bridgestone Sabanci Tyre Manufacturing and Trading Inc

6.6.1 Risk Management in "BRISA Bridgestone Sabanci Tyre Manufacturing and Trading Inc" (BRISA)

The immersive global transformation from the early 2000s has been shaping the economy, finance, and trade more than any other field. In today's new world, all stakeholders (including customers, business partners, suppliers, employees, the public sector, investors, etc.) prefer companies with crisis resilience that are sensitive to risks and boast good risk management, and are aware of their social responsibility regarding risks.

BRISA's risk management journey began in late 2008. Since the day it was formed, risk management at BRISA has been drawing strength from the support, commitment, and belief, as well as growing interest and focus, of the board, senior management, and the management team. This belief and focus made BRISA a future-proofed company in risk management that has made significant investments and assumed a leading position within and beyond the community, and its corporate risk management is fuelled and supported by total quality, excellence, and continuous improvement—the principles that are inherent in BRISA and supported by its partners. BRISA's corporate risk management function continues to evolve into becoming a stakeholder-appreciated strength of the company, in concert and integration with other core company functions such as corporate management, strategy management, and sustainability. As a sign of the success of our efforts, we won the grand prize in the “Risk Management Professional of the Year” category at the Institute of Risk Management (IRM) global risk awards in 2014. We were also ranked “Highly Commended” in the “ERM Strategy of the Year” category in CIR Magazine’s global risk management awards that same year. In the following year, we won the grand prize in the “Business Continuity/Resilience Strategy of the Year” category, in CIR Magazine Global Awards 2015.

Our risk management goal is to contribute to the company’s sustainable growth and create shareholder value by ensuring that awareness of corporate risk management will be embraced by management and employees as a management system and company value, and that the risk-based decision-making system will be incorporated into the corporate culture.

6.6.2 Framework

The Risk Management Department performs the following tasks within the framework of the risk management policies and standards supported and approved by senior management:

- Identify and assess all company risks;
- Cooperate with the employees responsible for risks to determine the strategies and actions for effective management of risks;
- Coordinate risk management efforts and perform follow-up for functions’ risk management action plans;
- Develop the company’s risk appetite policies and procedures and ensure that the processes are managed in accordance with these policies and procedures;
- Develop and manage business continuity policies and plans; and
- Develop and disseminate risk management reporting.

The department continues to operate in accordance with the role described above, with the full support and responsibility of the management team, and the principle of active employee involvement. Efforts to develop and implement the risk management system maintain compliance with ISO 31000.

The Risk Management Department organizes annual risk assessment workshops with managers and employees from all company functions to identify and define strategic, functional, operational, and compliance risks of all functions; measure and define the impact and likelihood of financial, reputational, environmental, and human loss scenarios with regard to risks; decide on strategies and actions to mitigate; eliminate or transfer adverse effects of said risks; identify key risk indicators and risk tolerances; and provide follow-up of existing risk management actions.

The Risk Management Department reports monthly to all members of the management team about statistics and monthly evolution trends of the company's key risk areas, their situations in light of determined limits and tolerances, causes of variances and changes, costs and source of business disruptions, and all the actions taken. In doing so, it aims to develop an early warning mechanism for risk development to ensure that all interacting functions will establish a shared risk perception and management strategy. Also, the department prepares ad hoc reports using global and local sources that include risk analyses and submits these reports to the relevant managers.

The Early Identification of Risk Committee, formed by Board members, submits bimonthly reports to the Board, in which it provides a situation assessment in light of information from the company's Risk Management Department and BRISA Risk Committee, and annually assesses the effectiveness of the company's risk management system.

6.6.3 Business Continuity

The company has developed business continuity policies, standards, and guidelines, and designed business continuity plans for major risks. It has established an operational risk management platform where business continuity and disaster prevention activities are planned/tracked/discussed periodically. The financial cost of all types of unplanned interruptions has been measured in terms of gross profit with a unique approach since the beginning of the implementation. The interruption cases and related costs are grouped also according to the root causes such as quality incidents, machine breakdowns, IT failures, disaster, utility problems, etc., in order to determine the improvement areas and permanent solutions. The information is then reported to the management team and discussed in every executive committee meeting, where department leaders have the opportunity to contribute to the minimization of interruptions and related financial losses. Comparison of annual data indicates that, by the integration of ERM approach, the interruption-based financial losses minimized by 65% at the end of the first year of implementation.

6.6.4 Governance and Corporate Culture

- ERM has been integrated to "strategy management" of the company as considering ERM as a standalone corporate strategy. There are also functional ERM strategies, related indicators, and targets which have been inserted into both corporate and individual performance scorecards.

- By ERM reports, meetings, and workshops, a governance platform has been formed with all functions, in order to determine common and/or interconnected risks earlier and manage them via a common approach with necessary communication and collaboration.
- BRISA executive management considers ERM as a "true shareholder expectation". Our powerful ERM adds the value for the company at investors' perspective. As being one of the pioneer companies for ERM in Turkey, we present and share our ideas and works about how we manage risks with investors and key stakeholders.
- Several unique ERM studies have been performed and integrated into company culture: Innovation Risk Assessment Model, M&A Post Integration Risk Assessment Model, Climate Change Risk and Opportunities Reporting, and Corporate Risk Interconnection Map for creating a successful risk governance of the functions.

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6.6.5 Company Introduction

BRISA, the joint venture of Sabancı Holding and Bridgestone Corporation, the largest tyre manufacturer of the world, is the leader of the tyre industry in Turkey and the seventh largest tyre manufacturer in Europe. Having over 1200 sales points in Turkey, BRISA offers Lassa tyres under over 130 sales points with Lassa signboards to vehicle owners in 70 countries.

Carrying out its business with the vision of "We Innovate Your Journey", BRISA is the first Turkish company to win the National Quality Award and European Quality Grand Award. The company was granted the "Hall Of Fame", known as the "Oscar for Strategy", with its successful strategy and applications, in 2014. BRISA is the 57th largest industrial company of Turkey and is ranked as the 40th in the Most Valuable Turkish Brands research, disclosed by Brand Finance, an international brand rating company.

The Kocaeli manufacturing plant of BRISA, conducting its business to leave a mark on the future with its 2600 employees in total, is not only the world's largest tyre factory under the same roof with its 361,000 m^2 closed area, but also one of the most important manufacturing bases of Bridgestone all over the world. Since its foundation, BRISA has made investments of over 1 billion American Dollars and has been growing consistently. The company has been constructing its second plant on an area of 950,000 m^2 within Aksaray Province Organized Industrial Zone, having an annual production capacity of 4.2 million tyres which expand its total manufacturing by 30%, and planning to start production at the beginning of 2018.

BRISA has led the way in many fields within the industry throughout its evolving journey and adds value to its customers with its Bridgestone, Lassa, Firestone, Dayton, Kinesis tyre brands, Bandag retreading brand, and Energizer power supply brand, along with OtoPratik, ProPratik, Lastiğim, Lastik Vs, Speedy, OtoPak points of sale and service, Bridgestone Box, Probox and "lastik.com.tr" alternative sales channels, Road Assistance, Profleet, Mobilfix and Tyre Hotel services, BRISA Academy education platform and the sole tyre museum of Turkey, BRISA Museum. Meeting the needs of its customers in different geographies in the world, BRISA manufactures products at the highest quality with its sustainability approach and takes responsibility for both social and environmental sustainabilities, along with its contributions to economy.

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