Strategic Decision Making Process in Complex Situations. The Deciding Factor of Cyprus-Turkish Airlines

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Abstract
Strategic decision making is a major component of any management activity. Management decision is the choice of alternatives implemented in the framework of its vision and mission and aimed at achieving the goals of the organization. The paper introduces an explanatory method how to strategize decision making process based on the example of Cyprus-Turkish Airlines Company until its collapse in 2010. The management and external powers made a decision to stop operations that influenced on a total balance of aviation structure and image of the country. This paper tries to investigate what factors affected on decision making from a narrow author’s perspective and to understand that decision making failures are getting costly. The literature review generates insights and focuses on the main factors that affect decision making and how these factors have a great impact and significance on decision makers and environment. These insights and the investigation of the effects of strategic decision making provide practical implications to the managers and offers effective decision outcomes which are crucial for such country as Northern Cyprus to enlarge its political and social existence on the global arena.

Key words: Strategic decision-making, decision, Northern Cyprus, Cyprus-Turkish Airlines Company

Introduction
Throughout the development of the society, the human being has constantly faced with the need to select one of several possible options for action. The result of this choice is a solution. Thus, the decision or decision-making process is becoming a critical factor of the choice of alternatives. Pearce II and Robinson (1989) indicated that decision-making is inevitable, because to explicitly avoid making a decision is in itself to make a decision. Mark (1997) concluded that for many reasons, the hardest part of managing an organization today is making the appropriate decision. Decisions are universal form of behavior as individuals and social groups. This versatility is due to a conscious and purposeful human activity. However, despite the versatility of solutions, their adoption in the management of the organization differs significantly from the decisions made in private life.

What is decision making? According to Mann (1976), decision-making is often referred to as the heart of the management process. “Decision-making is the process of thought and deliberation that leads to a decision” (Quack, 1977). Decision is a selection of the most suitable alternative from the possible diversity of options. Organizational decision is a choice that makes a manager to perform duties, certain to this role. The purpose of organizational decisions is to providing consistent movement of organizations towards agreed goals. Since decision not only affects the organization in which they are taken but also the society (Colignon and Cray, 1980), it is not surprising that decision-making process has been heavily researched (Amason, 1996).

Quality decisions are primarily determined by the efficiency of management. Signs of high quality management decisions are: timeliness, reliability, validity, quantify, effectiveness, efficiency. In the wider social context, the quality decisions may include social and psychological features, for example moral and psychological effects.

Literature Review

- The context of Organizational Decisions

Organizational decisions can be programmed and unprogrammed (Simon, 1977). Programmed decisions are those that are accompanied by the results obtained and to some extent identified by sequence of steps, decisions or actions. Unprogrammed solutions are those that arise as a result of new unusual situations. Compromise is an agreement reached by mutual concessions acceptable for all interested parties. The following is a specific process of development and management of decision-making. The process of preparation and decision making involves the following steps:
The formulation of the problem through its analysis of the situation, identification the need for the decision that includes: knowledge and the formulation of the problem; goal setting, determining criteria for successful solutions. Knowledge of the problem is a prerequisite for its decision, if the problem does not exist for the one who makes the decision, the decision does not take place.

After the criteria and factors limiting decision are identified, the manager can begin to work to find alternatives or possible courses of actions to address the problem.

A factor related to management or the decision maker (DM) to make management decisions. The apex of decision-making process is the evaluation and selection of alternatives. At the same stage, the design of solutions is formed including its approval.

The implementation stage consists of organizing the execution of decisions, monitoring and correction which requires the coordination of efforts. Managers should strive to make the performers interested and motivated to implement the decision to make the best use of their abilities. As noted by Carlisle (1979), using problem-solving methods to arrive at decisions is an analytic process that is scientific in nature and requires considerable skill and knowledge.

The factors influencing the process of preparation and decision making include:

- environment (external and internal environment) in which a decision is made;
- characteristic of a social group or the team which is aimed at the decision making;
- characteristics of the decision maker (DM).

As it is seen from the above description, the need for the study and practical application of different methods of development and management decision-making occurs at the stage of alternatives. Here, most of them is used but they may be present in other stages. For example, for the development of alternatives the method of scenario planning or brainstorming can be used.

Decisions are long term, highly unstructured and have great impact on the future of the organization. Strategic decisions are those important decisions that typically require a large amount of organizational resources, and firm’s environment consideration. In decisions, top management usually plays a central role, in making the decisions (Hofer and Schendel, 1978). After receiving the possible alternatives, it is possible to process to a comprehensive assessment of options, using statistical and financial practices. Discarding all alternatives inappropriate for the relevant criteria, two key alternatives can be considered. To make preference between these two alternatives is getting an extremely difficult task (due to multicriteria problems). To select the final decision, we refer to one of the expert methods, and if the decision making process limits us, then we turn to our intuition. The ability to take the right strategic decision in a complex situation is what sets an average individual apart from the rest, though the ability of arriving at the correct decision within a short span of time is a highly valued and important trait (Bose, 2013).

The context of Strategic Decision-Making Process

In the practice of management, the decision-making process is largely standardized which allows to make decisions quickly and inexpensively. Examples of such general rules are ubiquitous and common in all organizations. When communicating with clients, we focus on prescribing instructions for the clients work with documents decisions which are based on procedures. Unified management rules are the result of management thought based on the decision-making methods. Being important but secondary to the method itself, unification deserves a special attention and consideration in the management practice. The top management usually plays a central role in making these decisions through its involvement in corporate long-range planning (Hofer and Schendel, 1978; Lorange and Vancil, 1977; King and Cleland, 1978).

There are several types of decisions that are typical for the area of management:

a) Planning process: the decision of top objectives and targets, nature of the business, aims, interaction with the external environment, strategy and tactics that are selected by organization to achieve its goals.
b) Organizing process: a structuring of the organization, coordination among different units, distribution of powers between the heads of departments, structure of the organization under the external environment.

c) Motivation process: the needs of subordinates, work performance work of subordinates, job satisfaction.

d) Control process: the measurement results, evaluation of these results, adjustment purposes.

Rational decision is a decision that is based on the basis of the analytical process and often does not depend on previous experience.

- **Stages of problem solving**

![Model 1: Steps in the Rational Decision-Making Model](image)

Diagnosing complex problem is the process of awareness and establishing the causes of the difficulties and opportunities to overcome them. The signs of some related problems in the organization may include but not limited to: low income; relatively small sales of products; low labor productivity and product quality; excessive costs in the production process, the various conflicts in the organization and high staff turnover. Identifying these symptoms allows to determine the common problems in the organization. For a more detailed analysis of the existing problems, it is necessary to collect preliminary information regarding the status of the external and internal environment of the organization. Schneider (1989) states the way in which decision makers categorize and label a strategic decision as an opportunity or as a crisis, strongly affects the subsequent processes of decision making. Jackson and Dutton, (1988) say that there is evidence that executives behave in a different way if they perceive a decision to be motivated by an opportunity rather than by a crisis. Causes of the crisis often depend on the specific situation and its decision makers: perhaps this is an insufficient number of employees with necessary qualifications; lack of advanced technology, poor production facility, intense competition, existing laws and regulations in the country.

The formulation of a set of alternatives or alternative decisions is a crucial moment. Quite often, immediate actions may exacerbate the problem. It is desirable to identify the maximum possible actions that could help to solve this issue and then to rank the possible actions for its effectiveness and feasibility. Elbanna and John Child, (2007) suggests that firm performance rather than environmental characteristics, such as environmental uncertainty, appears to be the most important moderator of the relationship between the strategic decision-making process dimensions and strategic decision effectiveness. Firms under pressure to improve their performance will tend to employ more rational decision-making processes. The research concluded that decision-specific characteristics played a central role in relation to strategic decisions, with environmental factors playing a less significant role.

The following process of analysis of alternatives can be indexed:

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Generally, it is relatively simple to measure the decision, if the problem has been defined correctly and the alternatives being carefully weighed through a reasonable assessment.

If the problem turned out to be very complex and possible alternatives do not meet the optimal (desired) results, in this case an important role is played by the existing experience (expertise) in the field of activity.

The decision will be more optimal if it is agreed with those directly affected or with those who helped in the preparation of this decision. In this regard, the success of any meaningful decisions is advisable to involve the development of a large number of decision makers.

If the decision is made and started to be implemented, it is certainly necessary to establish a feedback process. The monitoring system is needed to ensure optimum performance of the process or action. Feedback allows the manager partially correct decision and contribute to its better implementation. Mintzberg, Raisinghani and Theoret (1976) identified the critical role played by decision communications routines and decision control routines in strategic decision processes. Assessment of progress in the implementation of decisions allows to take into account the existing experience failures and shortcomings in the follow-up work. There are other factors that influence the decision-making.

Personal assessment of the manager often contain subjective judgments. Someone may have its own system of evaluation that determines its actions and influence decisions. Approach to management decisions often based on a certain set of values. In this regard, the manager targets to maximize productivity by any means often forget about the problems of optimal organization or effective process of employees work.

Behavioral constraints, like intra and interpersonal communications affect on decisions. For example, managers often have different perceptions of the existence and severity of the problem. They may have different perceptions of the limitations and alternatives. This often leads to various conflicts between them in the process of making and implementing decisions.

Thus, in the organization all decisions are usually interrelated. Often, an important decision is based on several previous decisions and in turn it creates an alternative for subsequent action. This ability to see the relationship of decisions is one of the main criteria for selection and appointment of senior executives. Managers who have this ability are often candidates for promotion.

**Methodology**

An alternate view has been studied by reviewing the case of Cyprus Turkish Airlines Limited (CTA) or (KTHY in Turkish). The company has been established as a national carrier for Northern Cyprus until its collapse in 2010. The scheduled flights were to Turkey, UK an some main cities in Europe. It is important to note that CTA was carrying North Cyprus flag and promoted large opportunities to introduce Turkish part of Northern Cyprus all over the world in aviation sector. The company has been created on December 04, 1974 and started to operate on February 03, 1975. It is considered that CTA grew rapidly and uncontrollably during the fast decades of its operations. In 2005 the Turkish Government sold its shareholding to Island Airways. In 2010, the CTA faced with a bankruptcy and a management decision to sell the company in June 2010 with stopping all operations.

After a considerable research, the narrow experts opinions was put into the center of this case to find out how the decision-making was implemented within the company that affected on its running out of business. What affected on decision-making and what are the results of this decision-making?

One of the reasons for the sinking of the company was a state repression. The Government members used CTA for their own interests. This was the biggest cause of the disaster of company which reflected in the long-run. Here is below facts affected on CTA bankruptcy:

**A) Nepotism**

Regularly, the new Government required to change management at CTA that affected at the company’s performance negatively. The authors believe that the spread of nepotism in general jeopardized organizational development. Nepotism often leads to the artificial creation of leadership positions and even entire departments for the relatives or related groups. An example of
an artificially created positions and the department may include: Director of Strategic Development and Development Department. In fact, such a position is not needed, since it is of strategic development should deal with the chief executive. Occupying a nominal position, favorites may not appear for a long time at work, would not take responsibility, move its work on subordinates while receiving a disproportionately high salaries compared to labor input. Nepotism hinder healthy competition for leadership positions, restrict career development of more efficient personnel that can be one of the causes of the "brain drain" from North Cyprus. Nepotism encourage corruption. In general it had a negative impact on the organizational and economic development.

B) Lack of Innovation

The main purpose of the innovation departments in the company is exploring a variety of scientific and technical ideas to achieve its innovative objectives. On the basis of these ideas new technical ideas are developed and adopted. CTA has not been influenced by innovation and technically could not reach this frame. The mechanism for transferring innovative ideas from experts to senior management was not considered. The most effective and less risky decision is the creation of an innovative portfolio of products specific set of leaders and followers-products. The result of this step should be the development of innovative projects to achieve the selected innovative solutions. The period of time between the appearance of innovations and innovative incarnation is called a lag.

C) Favoritism and Unfair Distribution

The list of interpersonal relationships beyond the formally established procedures included corporate favoritism. In case of CTA, slot of destinations under its distribution were considered under the favorite decisions that impacted CTA negative way. Government and CAD distributed the same slot to the other companies that created a confusion in passengers mind. This resulted in a total number of passengers of CTA that reduced rapidly. Slot time is one of the essential problem collapsed CTA.

D) Financial Contraints and Over Budgeting

Growing fast is a desirable process however over budgeting under the conditions of financial constraints was a serious error in CTA management. The volume of investments to a large extent determines the rate of development of the company and as a consequence is a fundamental driver of growth in the economy as a whole. The level of investments affects the financial constraints faced by the company in an imperfect capital market. Another significant reason was unfair distribution of salaries among the top and middle management. Age of the company is one of the important factors that characterize the stage of the life cycle of the company which largely determines the strategy of its activity (relative to the investment policy, for example). Recently started companies due to the inability to increase the cost exclusively at their own expense resort to external financing. CTA has progressed on external financing and accounted up to 100 million USD, that could not repay.

E) Business Forecasting and Vision

Business works in conditions of uncertainty. If some companies struggle with the instability of the currency market or the probability of default, others predict cyber attacks or changes in antitrust laws. Predicting and forecasting such global changes in the business climate is getting very difficult. CTA had no regular controlling and management and this reason impacted company on the negative way permanently. Faced by the company long-term development objectives required a radical increase of management efficiency at various levels. The need to address it actualized the development of tools to predict the prospects for development and evaluation of the impact of emerging strategies for sustainability of the financial position of CTA.

Specific reasons of CTA collapse:
- Slow economic recovery in Europe.
- Lack of functional communication within with company.
- Unpredicted rise of employees in the company
- Improper management.
- False investments.
- Political problems and political intervention to the company.
- Overexpences
Conclusion
In the process of management of the company one of the main processes is the decision-making process. Every day, managers have to make a variety of decisions regarding the different spheres of management. In fact, the decision is not an easy task since it is necessary to consider all possible alternatives to choose the one most suitable for all criteria, taking into account the possible consequences, obstacles and prospects for, the conditions under which this choice is made and many other factors. For each type of situation, there are certain methods and models of forecasting and decision-making. The purpose of this work was to explore the concept of a decision-making process through literature review and finding the differences between the types of decisions that describe all the stages of the decision making process and the methods and models on which they are made. We considered a case of Cyprus-Turkish Airline Company in Northern Cyprus which badly came out of business and ceased its operations in 2010. It was found that the methods used by the management were inappropriate and the method of decision-making were considered to be the most ineffective that resulted in companys bankruptcy.

At the stage of implementation of the decision taken steps to concretize solutions and bring it to the performers, to the monitoring of its implementation, make the necessary adjustments and assesses the result of the implementation of the decision. Each management decision has its concrete result, thus the purpose of management activities is to find such forms, methods, tools and instruments that could contribute to achieving an optimum result in specific conditions and circumstances. And that is what CTA managers failed to manage. Obviously, that Cyprus Turkish Airlines should be re-established and start operating again as it is one of the rare symbols representing Turkish Republic of North Cyprus. Experienced those lessons should be removed and Cyprus Turkish Airlines should be seen as evidence of power and stability in the sky again.

References: