

Drivers and Barriers in the Diversification of Airline Business Models in Turkey (1980-2020): An Institutional Logic Perspective

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ABSTRACT

The primary objective of this study is to explore the diversification of airline business models in Turkey in four decades and show the reasons and logic behind the diversification from the institutional logic perspective. For this purpose, airline business models were examined, and critical events in the organizational field were explored based on secondary data. The case study research was conducted to explore the diversifications of the business model within institutional logic. The gathered data were examined with the content analysis method. The results show that multiple institutional logic (state and commercial logic) in the field can pave the way or prevent diversifying airline business models. Multiple logics shape the regulations and approaches of the state and other organizations in the field, and these changes may play a role as a barrier or driver for diversification. Each barrier and driver may affect each airline's business model differently. This study contributes to business models and institutional logics literature by providing evidence of the effect of the pattern of approaches of the actors on the airline business models and by showing the relations between these approaches and institutional logic.

Keywords: Aviation History, Multiple Institutional Logics, Airline Business Models Diversification, Multiple Case Studies.

JEL Classification Codes: L2, L93, L98, M10

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INTRODUCTION

Much of the academic discourse surrounding business models have assumed an increasing interest in business models over the last 20 years (Foss & Saebi, 2017). Scholars have discussed the meaning of a business model widely, the relations with the strategy (Massa et al., 2017), and the components of the business models (Osterwalder & Pigneur, 2010). There are common themes among papers regarding business models, such as accepting the business models as a new unit of analysis (Zott et al., 2011). As highlighted in the literature (Massa et al., 2017), the business model topic is essential for practice, theory, and policy, and it is gained attention from scholars and practitioners (Foss & Saebi, 2017). On the other hand, in the institutional logic theory literature, it has been shown that organizations respond to institutional environments in different ways (Greenwood et al., 2010), and this point of view extends the discussion to greater depths into the heterogeneity in business models (Laasch, 2018; Ocasio & Radoynovska, 2016). It is observed that scholars have analyzed hybridity (Daft & Albers, 2013; Klophaus et al., 2012), and changes have been discussed by showing the cases (Lange et al., 2015). Although there is increasing

interest in this topic, it has yet to provide empirical evidence for the relation between the diversification of the airline business models in the organization field and institutional logic theory. Toward that end, this study critically reviews the last four decades of airline business models in Turkey and explores relations between the activities of the actors and the theory. In that sense, a fundamental question in this paper is: "How have/haven't airline business models diversified in Turkey between 1983-2020 within institutional logic(s)?" An essential contribution of this paper to the airline business model and institutional logic literature is showing the patterns of the actors' approaches embedded in multiple institutional logics that explain the diversification of the business models. Furthermore, this study provides a more profound understanding by examining the airline business model over four decades and showing the relation with multiple logics.

In the rest of this paper, the concept of institutional logic and debates on the business model and the organizational field are discussed by referring to the related literature, followed by the method, findings, discussion, and results.

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THEORETICAL FRAMEWORK

Institutional Logic

The literature states that the existing institutional logics determines the forms or practices of organizations in the organizational field. The view that organizations are influenced by multiple institutional logics is an indisputable fact today (Besharov & Smith, 2014; Laasch, 2018; Önder & Üsdiken, 2016; Thornton et al., 2012a; Thornton & Ocasio, 1999). Alford and Friedland (1985) describe the concept of logic as “a set of practices – behaviors, institutional forms, ideologies – that have a social function and are defended by politically organized interests. Alford and Friedland (1985) also refer to the possibility that actors may not be aware of the prevailing institutional logic in question. Thornton et al. (2012a); (1999) later elaborated on the subject of logic by drawing on the work of Friedland and Alford (1991). The concept of institutional logic, often cited in the literature, is described as “the socially constructed, historical pattern of material practices, assumptions, values, beliefs, and rules by which individuals produce and reproduce their material subsistence, organize time and space, and provide meaning to their social reality”(Thornton et al., 2012a; Thornton & Ocasio, 1999). Institutional logic is built on four basic assumptions, according to Thornton et al. (2012a). The first includes the fundamental assumption that organizations’ interests, identities, values, and assumptions are embedded in the extant institutional logic. According to this assumption, institutional logic may create opportunities for organizations and individuals and restrict them simultaneously (Thornton & Ocasio, 2008). This assumption was later conceptualized as an embedded agency. From an institutional logic perspective, the embedded agency has partial will and mobility (Thornton & Ocasio, 1999) and may exhibit behavior influenced by its possibilities (Duman, 2017). The literature underlines the need to define “institutional orders” with different expectations for organizational behavior (Önder & Üsdiken, 2016; Thornton & Ocasio, 2008). Based on the institutional orders cited in the work of Friedland and Alford (1991) as market, state, democracy, family, and religion, Thornton et al. (2012a; 1999) provide conceptualization of logics associated with seven different institutional orders: family, community, religion, state, market, professions, and corporation.

Each institutional order has its own unique but conflicting logic. As mentioned in the work of Lounsbury et al. (2021), Thornton et al. (2012b) share several dimensions for each institutional order, which facilitate understanding the differences and provide governance

for the emergence and maintenance of logic. For instance, according to family logic, legitimacy stems from loyalty, and the basis of strategy is increasing family honor. According to community logic, belief in trust and reciprocity are legitimacy sources, and increasing the status and honor of members and practices are the bases of the strategy. On the other hand, for religion logic, the importance of faith sacredness in economy & society is the source of legitimacy, and increasing religious symbolism is the basis of strategy. State logic stems from democratic participation; and the strategy is increasing community good. Market logic stems from sharing price, and the strategy is increasing profit. Another one is the Profession institutional order which stems from personal expertise and increasing personal reputation is it's the primary strategy. Lastly, Corporation logic stems from the market position of firm legitimacy, and increasing the size and diversification of the organization are the main strategies.

These logics play a role in assigning meaning to diversity (Thornton & Ocasio, 2008; Thornton et al., 2012a).

Another assumption of institutional logic is that institutional layouts have tangible and intangible properties (Thornton & Ocasio, 2008). According to institutional logic, institutions develop and change through the influence of tangible and intangible dimensions. Symbolic and cognitive factors and normative ones affect the shaping of actions by intangible elements (Thornton & Ocasio, 2008). The third assumption is the dependency on historical conditions. The assumption states that various factors throughout history have influenced the behaviors of organizations. Therefore, actions are influenced by the prevailing institutional logic in the specific period they occur and should be considered accordingly (Thornton & Ocasio, 2008). The authors note that institutional logic has changed over time and is influenced by internal and external factors. The last assumption is that institutions may provide explanations for multiple levels. For this reason, selecting or combining multiple levels of analysis would provide better explanations for research (Thornton et al., 2012a).

Debate on Business Models and Institutional Logics

As regards the studies on business models influenced by institutional logic, aiming to find out which logics affect the sustainable business model and what characteristics they have, and what is achieved through them, Laasch (2018) found that the institutional logic shapes the homogeneous and heterogeneous value creation logic of organizations and that multiple institutional logics

shapes the sustainable business model. Ocasio and Radoynovska (2016) also assert that existing institutional logics shape organizations' choices and this institutional pluralism provides heterogeneity in business models rather than making them similar. Similarly, Vaskelainen and Münzel (2018) examined the impact of institutional logic on business model shifts in the car-sharing sector in Germany. They found two different business models in the car-sharing industry, and the influence of different institutional logics form these two business models. According to the authors, organizations that offer free travel have the corporation logic, while others that offer travel by stops have the community logic. This study is mainly driven by an attempt to explore how airline business models have diversified in four decades in Turkey and reveal the impact of institutional logic dominating the organizational field on this diversification in the context, questioning the role of institutional logic in the meaning and explanation of the diversification. Indeed, it has also been noted by some researchers that the research literature in the field of organizations examining business models influenced by institutions is very scant, and further research needs to pursue this line of inquiry (Foss & Saebi, 2017). In this respect, this study aims to explore the changes in the regulations, approaches, the factors, and logic behind the diversification.

Organizational Field: Airline Business Models in Turkey Before 1983

The organizational field of this study is civil aviation transportation in Turkey. Civil aviation in Turkey goes back to 1933 with the introduction the Law No. 2186. In

the context of this paper, the first business model has emerged with Turkish Airlines' traditional airline business model. At that time, similar to other countries, the airline operations, the primary airline support services (e.g., catering, ground services, fuel oil), and national airports are all managed by the State. As a flag carrier, THY continued (apart from some temporary exceptions) its operations as the representative of Turkey on domestic and scheduled international routes until the 1980s. Although a few of domestic airlines remained in operation until the 1980s, they could not continue their operations to the present day. For instance, it was reported in the press that Hürkuş Airlines was established in 1954 (Hürkuş, 2020). However, it could fly as much as it was permitted. Bursa Airlines was another airline operating on domestic routes besides THY prior to the 1980s. According to press reports, Bursa Airlines was founded in 1977 (Albayrak, 1983) to "fly between the regions where THY cannot have flights or lose money" (Milliyet, 1977). According to a different report, Bursa Airlines was established after THY stopped its flights between Istanbul-Bursa, and thus, civil aviation ceased to be monopolized by THY (Milliyet, 1977). In the same year, it was reported in the newspapers that Bursa Airlines was unable to obtain a flight permit. Then, it is observed that the airline, which managed to obtain the permit later (1977), filed for bankruptcy in 1984 (Hürtürk, 2016).

On the other hand, in 1974, THY established Cyprus Turkish Airlines (KTHY) based in Nicosia, Cyprus, with a 50% partnership share (THY, 2008). This improvement is important in terms of the business model diversification and is the first example of the multi-business model

Table 1. Airline Business Models in Turkey Before 1983

Before the 1980s	Airlines operated for a period	Airlines that ceased to exist**
Airline Business Models in the field	Traditional Airline Business Model (THY-1933-present)	Charter Airline Business Model Anatolian Airlines-1969 Aegean Airlines-1978
	Regional Airline Business Model* Hürkuş-1954-59 KTHY, subsidiary of THY, 1974-2010 Bursa Airlines*-1977-1985	Regional Airline Business Model Karadeniz Airlines, 1980 Toros Airlines-1980 Bergen Aviation-1980 Anadolu Air Transportation, 1980 Doğu Airlines-1980 Güneydoğu Airlines-1980
	Charter Airline Business Model Turkol Airlines, 1979-1982** Northern Cyprus Air Services Ltd|Trans Anatolian Airlines, 1979-1982***	Charter Airline Business Model Uygur Cargo Airlines,-1980*** Anadolu Air Transportation, 1980*** Güney Doğu Airlines, 1980*** Hat International Air Transportation, 1980***

Note: It was created based on the research data and the publications (DPT, 1990; Hürtürk, 2016)

*These airlines operated for a period and then went into bankruptcy.

**These airlines were registered but could not take the permission and/or never offered actual services.

***These airlines were cargo airlines

Table 2. Implementation of the data analysis

Approach through examples	Codes	Category	Theme
Restriction for flying of charters in certain routes, SHY-6A 1984	Barrier	State	State Logic
Respect to 'flag carrier': "flying between the regions where THY cannot have flights or lose money"	Barrier	Organization	State Logic
Domestic market deregulation, 2003- 2nd Liberalisation	Driver	State	Commercial Logic
Objection to 'flag carrier': Claim on the abuse of a dominant position of THY	Barrier	Organization	Commercial Logic

Note: It was created based on the research data

concept that THY has today. The reason behind the emergence of this regional airline business model was explained as "...KTHY was founded in 1974 with a 50 percent partnership of THY to revive the economic life of Cyprus, which is going through a difficult period" (THY, 2008). In 2000, this partnership ended after THY shares were acquired by Turban Turizm Inc. (KKTC), but soon it began to lose money, and it was announced that the operating license of KTHY was suspended for three months on 21.06.2010 due to its failure to meet the requirements (DGCA, 2010). KTHY also terminated its activities in the same year. An important issue for the period is that airlines were interested in providing services but had yet to start their operations in the past. Some of the airlines that failed to start operations adopted the charter airline business model (Hürtürk, 2016) and others had the regional airline business model (Cumhuriyet, 1980; Hürtürk, 2016) (See Table 1).

The examples above clearly show that THY was only sustainable airline and only airline business model was traditional airline business model of THY for a long time in the field. Considering the emergence of different airline business models in the rest of the world (Button, 2012; Button & Ison, 2008; Cannon, 1985; Efthymiou & Papatheodorou, 2018; Gittell, 2005; Teece, 2010; Vasigh et al., 2018), it can be observed that the business models have emerged and spread earlier than Turkey. The fact that the traditional business model was only an airline business model and business models could only be varied in the 1980s led to analyzing the actors' approaches (e.g., state, organizations) after the liberalization period. Whether the airline's diversification has occurred or not and the factors behind the diversification are analyzed based on the multiple secondary data in this study. Given the developments in the organizational field where the impact of logic is clear, it has become necessary to find out whether the emergence of business models has occurred due to the influence of institutional logic.

METHODOLOGY

The current study aims to reveal the diversification of business models in the organizational field in Turkey and find out how they relate to institutional logic by examining the airlines. The study explores "**how have/haven't airline business models been diversified in Turkey since the 1980s within institutional logic(s)**". Whether or not the reasons to diversify can be explained with the institutional logic constitutes the sub-research question of the study. The case study research was conducted to explore the diversifications of the airline business models within institutional logics. The case study research is a qualitative research design that gathers information from multiple sources, explores single or multiple cases, presents an in-depth understanding of the phenomena and shows the patterns in the context (Creswell & Poth, 2016; Yin, 2018). Secondary data (e.g., interviews with senior executives, news about the airlines and executives, annual reports or press releases of the airlines, authorities' reports and announcements, the decisions of the competition board, articles and books about these airlines or executives) were included in the study to explore the essential events; expressions of the actors regarding the rules, regulations and other issues; influencing factors for the diversification of the business models and changes over the years. Content analysis has been conducted to identify the diversification and reasons for diversification of the business models. The data were reviewed and coded by two different researchers, and categories and themes were extracted from the codes (Yin, 2016), upon which consensus was reached. In this study, the research data were coded based on first-cycle and second-cycle methods suggested by Miles et al. (2014). Firstly, the content of the research data regarding the influencing factors behind the airline business model diversification were coded based on in-vivo coding. Then, extracted codes were grouped to generate categories and pattern codes. Categories and themes reflect the actors and the relations with institutional logic to address the research question.

FINDINGS

Findings reveal that barriers and drivers in the field affect the diversification of the airlines' business models and these barriers and drivers are embedded into two main logics: State Logic and Commercial Logic. Explored codes, categories, and themes were exemplified in Table 2. The state logic views transportation as 'a service to the citizens, and priority is given to the state objectives rather than profit purposes', and airline management is considered a public duty.

Therefore, transportation is considered as the business of the state. By this logic, the state manages the (national) airline, the major airline support services (catering, ground services, fuel oil), and national airports. On the other hand, the commercial logic views 'transportation as 'a commercial activity, profit is essential, the airline is considered as a commercial business not a public institution', and a commercial perspective of management is adopted. In understanding the diversity of airline business models, grasping the role of institutional logics in the organizational field is critical, which is also essential to reveal any isomorphism among business models. Table 3 shows the differences based on the categories to understand these institutional logics better.

As presented in Table 3, while the source of legitimacy of the state logic is compliance with legal regulations, the

source of legitimacy in the commercial logic is the provision of sustainable services by ensuring low costs and high returns at the maximum level. With the state logic, legal regulations are a source of authority, while commercial logic dictates market rules. While the presentation of air transport as a public service from the perspective of airlines points to the state logic, the presentation of air transport with commercial expectation is also a mission determined by the commercial logic. In terms of the state logic, the focus of airlines is the realization of transport from one point to another, whereas from the perspective of the commercial logic the activity in question is carried out with a commercial expectation. The state logic views transportation as a duty of the state and thus funds it with the public funds, whereas with the commercial logic, the funding source is an enterprise's own capital. Regarding the management mechanism, while the state logic has the state as the management mechanism, with the commercial logic, it is the market.

The findings are divided into two periods. The first period covers the first liberalization period, which presents 1983-2003 years in which commercial institutional logic is observable, but the state logic is dominant. The second period represents second liberalization period in which commercial logic starts to be more dominant but state logic is still observable. To this end, this section is divided into two; the first section explains the first liberalization

Table 3. Institutional logics and business models in the organizational field

Categories	State Logic	Commercial Logic
Source of Legitimacy	Public service provision by legal regulations	Sustainable service delivery Low-cost and/or high-profit service delivery
Sources of Authority	Legal regulations	Market rules
Airlines' mission defined by logic	Air transportation as a public service	Air transportation with commercial expectation
Basis of attention	Air transport from one point to another	Low cost and high profits in the entire air transport process
Economic System	Public funds	Business capital
Control mechanism	State	Market
Periods of Research	Dominant in 1983-2002 period	Dominant in 2003-2020 period
Business Models embedded in multiple logics	Traditional, Regional, Charter, Low-Cost	

Note: It was created based on the research data and the publications (Gerede, 2010; Göktepe, 2007; Laasch, 2018; Önder & Üsdiken, 2016; Özseven et al., 2014; Thornton & Ocasio, 2008; Thornton et al., 2012a; Yalçınkaya, 2018)

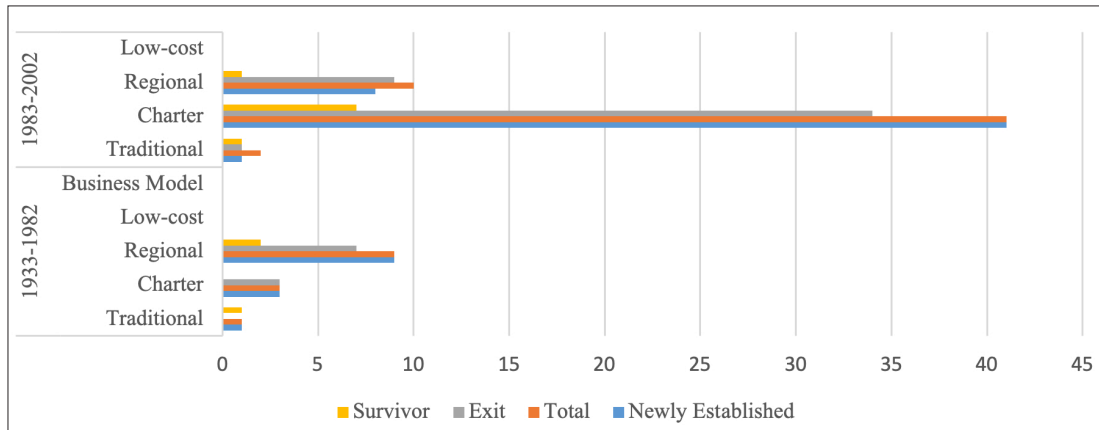


Figure 1. Airline business models in the field (1933-2002)

Note: It was created based on the research data

period between 1983-2003 and the second part covers the years after 2003.

The Boom of Charter Airline Business Models

Except the traditional and regional airline business model adopted by THY and its subsidiary, and a few attempts of the private airline (e.g., Hürkuş), as stated in the previous section, it is observed that a private airline of Turkish origin and a different business model of the airline did not emerge until the 1980s (Appendix). As mentioned above, it is possible to say that it was the 1980s when the first commercial perspective emerged. The first indication of the emergence of commercial logic and the significant change that led to the emergence of different business models in this period is the publication of the Turkish Civil Aviation Law in 1983. With this law, charter airlines increased quickly (Figure 1).

Although this law was the first indication of commercial logic, the decisions made after this law show the approaches of the state and airlines were embedded in both state and commercial logic. Thus, these different approaches affected the airlines' business models (Table 4).

As a result of this law, Turkish private airlines were able to fly in the field, and it became clear that air transportation was not just a public service in which THY maintained a monopoly position (Gerede, 2011; Korul & Küçükönel, 2003; Yalçinkaya, 2018) but also it was a commercial business. The findings reveal that although the monopoly position has been modified but not eliminated especially in certain routes, this "flag carrier" cognitive barrier has remained valid in the aviation industry. Considering the type of the airline business models in the field between 1983-2002, the findings show that almost all airlines have selected a charter airline business model due to the mimetic pressures. Due to the demand from the

Turkish workers who had immigrated to Europe and the approaches of the state to protect the flag carrier, most airlines chose the charter business model (Kozak, 2015). Also, THY has adopted various business models such as the charter airline business model of Boğaziçi Air Transport (BHT) in 1986 (DPT, 1990) and the regional airline business model of Turkish Air Transport Inc. (THT) in 1988 (Peker, 1991). By 1989, SunExpress airlines, which still operates today, was established.

Regarding the Turkish context, THY established a joint venture with Lufthansa to gain a share in the transportation of Turkish people who had immigrated to Germany and the transportation of passengers who traveled to Turkey for touristic purposes. Looking at the business model of SunExpress, its business model is a charter (SunExpress, 2019) because it describes itself as a "holiday airline." After many years, SunExpress started to offer scheduled flights in 2001 (THY, 2017). Also, THY established an airline in Moldova named "Turkish Airlines SRL" in 2000 but decided to liquidate it in 2001 (Hürriyet, 2011; THY, 2001).

Among other significant developments in the organizational field, the initial public offering of THY as a wholly state-owned company at a rate of 1.83% for the first time in 1994, and the privatization of support services that are important for all airlines and create loyalty can also be listed. THY' catering business USAŞ was privatized in 1989, and the ground handling company HAVAŞ was privatized in 1995 (DPT, 1990; Havaş, 2019; Özbek, 2006). In 1990, the privatization of Petrol Ofisi (POAŞ) as Turkey's largest fuel supplier public enterprise was decided by Decision No. 90/7 (İncekara, 2011; POAŞ, 2019; TBMM, 2000). Another critical issue for airlines is that airports began to change in the 1990s. In 1986, military airports were opened to civil aviation

Table 4. Featured changes/improvements in the organizational field (1983-2002)

Phases		1983-2002																					
Actors		State														Organiza-tion/s							
Logic		→	←	←	→	→	→	←	←	→	→	→	←	←	→	→	→	←	←	←	→	→	
Changes/improvements in the organizational field		Civil Aviation Law, Liberalization, 1983																					
		Restriction for flying of charters in certain routes, SHY-6A 1984																					
		Restriction for ground handling companies, SHY-22, 28.12.1984																					
		19.11.1986-Agreement on civil aviation operations at military bases																					
		Privatization of catering organization, 1989																					
		Privatization of fuel supplier, 1990																					
		Regulation for the budget and fleet of private companies- SHY-6A, 1992																					
		Practice: THY is part of slot allocation board, 1992																					
		Changes on Airport Management: First BOT project, 1993																					
		Privatization of THY (%1,83), 1994																					
		Privatization of ground handling, 1995																					
		Restriction in the determination of the domestic destinations, 1996																					
		Restriction for flying of charters in certain routes, 12.01.1996																					
		2438 Official Gazette, free determination of prices, 2001																					
		Decision: Domestic scheduled flights operated by THY & private companies																					
		Lack of support to the private sector																					
Bilateral agreements 'Flag carrier cognitive barrier created by ICAO members, 1944-2020																							
Respect to 'flag carrier'																							
Serving mainly to citizens																							
Mimetic pressures																							
Insufficiency																							
Business Models	Traditional	x	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
	Charter	.	x	x	.	.	.	x	x	.	-	.	x	x	.	.	x	x	x	x	x	x	
	Regional	.	x	x	.	.	.	x	x	.	-	.	x	x	.	.	x	x	x	x	x	x	
	Low-cost	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
*Meaning of the signs	←	State Logic					→	Commercial Logic					.	Driver			x	Barrier					

Note: It was created based on the research data

with the protocol signed between the General Staff and the Ministry of Transport (Korul & Küçükönel, 2003). Public-private partnerships began to be implemented at airports for the first time in the 1990s. Therefore, the Build Operate Transfer (BOT) model projects, indicating that the public service approach to the State's airport construction and operation services began to gravitate towards commercial purposes, were first introduced in the 1990s (e.g., Antalya Airport, 1993). Rent Operate Transfer (ROT) projects for airports, airport terminals, or

other areas of the airport also began for the first time in the 2000s (e.g., Atatürk Airport, 2005)(DHMI, 2018, 2019). However, in this period, when the free-market approach and commercial logic began to dominate, it is observed that state logic continued to exist in the organizational field. At that time, the establishment of more than ten airlines in a short time, together with the civil aviation law and the bankruptcy of some due to a lack of resources and lack of infrastructure (Akyüz, 1987; Kozak, 2015; Sungur, 1992), revealed the need for taking the organizational

field under control again by state intervention. According to the State Planning Organization report (DPT, 1990), among the private airlines still operating in 1990 were NESU Aviation and Trade Inc., Toros Airlines, and Tur Avrupa Airlines, which had a charter airline business model, and Sönmez Holding and Emekli Ticaret Aviation Inc., which are thought to have a regional airline business model. They carried passengers between specific points with low capacity during the said period. One exception is Istanbul Airlines, which operates scheduled flights with large aircraft. While it used to have a charter airline business model like other airlines, Istanbul Airlines later switched to scheduled flights like THY, which was reported in the newspapers (Cumhuriyet, 1997). While it was supposed to be essentially a free market, flag carrier THY's protective approach and lack of support from the State forced other airlines to have different business models. Thus, the insolvency of airline companies that adopt the charter airline business model also drew the attention of the Directorate General of Civil Aviation (DGCA), and some legislative amendments restricting airlines were introduced. These amendments to the regulation restricted organizations in terms of 'financial power' and 'number of aircraft. According to Article 16 of the SHY 6A, published in the Official Gazette on July 13, 1992, businesses had to have sufficient capital and aircraft. Interestingly, THY was excluded from the regulation. The regulation was placed in the press as **"regulating private aviation"** (Cumhuriyet, 1992), quoting the following statement of the Minister of Transport of the period: **"They bring their passenger, but they do not take them back and victimize many people."** The related literature also states that this decision did not translate into legislation such as laws, legislation, or regulations, but affected the private airline companies (Elçin et al., 2007; Gerece, 2011; Göktepe, 2007; Yalçinkaya, 2018). With the decision of DGCA dated 12.01.1996, flight points to be flown were determined as a precondition for airlines to arrange domestic flights, and special attention was paid not to harm THY's flight network (Ekdi et al., 2002; Göktepe, 2007; Hassu, 2004). Protecting THY indicates the existence of rules not determined by the market. There were some legislative decisions preceding the bankruptcy decisions of airlines that forced airlines to have a charter business model, perhaps leading to their insolvency. Another example is the SHY-6A Commercial Air Transport Enterprises directive issued in June 1984. Article 33 of this directive states, **"non-scheduled domestic flights are not allowed between the points where scheduled flights are made."** (SHY-6A, 1984). Another example of conflicting institutional

logic concerns ground handling, an essential supporting service for airline operations. The owner of Çelebi Ground Handling Services, which provided services at the time, makes the following statement to the press regarding the period (Yenişafak, 2006):

"In February 1984, while the government was in favor of privatization, the Ministry of Transport issued a new regulation and declared the monopolization of the airport we served. A step was taken to nationalize it. I think this was done to protect today's HAVAŞ, then USAŞ. The regulation was changed in 1991."

When the mentioned legislations are examined, it can be seen that according to SHY-22 Article 3 of the **Airport Ground Services Regulation** published in 1984, the ground service organization is defined as a "state economic enterprise performing ground services at airports" (SHY-22, 1984a). In the same year, it was changed to "state economic enterprise performing ground services and private legal entities and included private enterprises" (SHY-22 Art. 3(d)). However, as Çelebioğlu stated, while state-owned enterprises can offer all kinds of ground services, the area of responsibility of private enterprises was restricted to "air carriers operating scheduled flights" according to SHY-22 – 5b (SHY-22, 1984b).

The Emergence of the Low-Cost Airline Business Model

The lifting of the existing restrictions became more visible in the 2000s (Table 5), and domestic routes, which were not actually restricted by the legislation but were still not accessible for all airlines, were liberalized with the changing government. After the general election in 2002, a new Minister of Transport, Maritime Affairs, and Communications was appointed. The most critical development of the 2000s was the Minister of Transport's approach, which stated that "The airway should be the way of the society" and meant **"Each Turkish citizen will fly at least one time"**. This approach has paved the way to opening domestic routes for private airlines and having more flights to make mobility more widespread among citizens (Figure 2).

From the institutional logics perspective, the essential finding of this research is that while this approach was indicative of a statist approach, it was revealed that it served a commercial purpose. In other words, a statist discourse has opened the way for businesses that act like commercial logic.

The changes in the approach have played an instrumental role in the emergence of different business

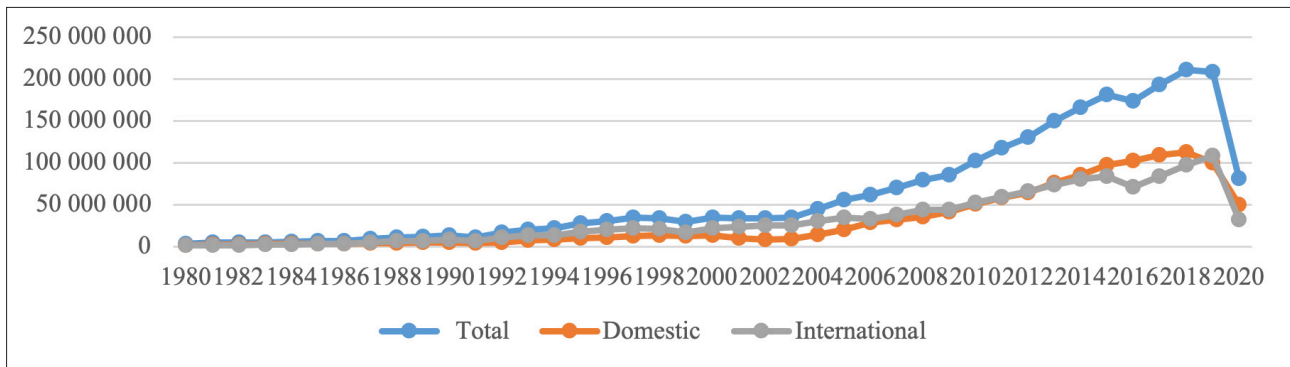


Figure 2. Total passenger traffic at airports

Note: It was created by an author based on the airport statistics (TUIK, 2020)

models and the changes in existing business models. For instance, Atlasjet (latest name Atlas Global went bankrupt in 2020), which had a charter airline business model in 2001, changed its business model in 2004 to the traditional airline business model, although it differed from THY's business model (AirportHaber, 2015; Atlasglobal, 2018). When we look at the airlines operating today, we can see that Onur Air, founded in 1992, has transformed its business model from a charter business model to a low-cost airline business model (Onurair, 2020). Another example is Pegasus Airlines, founded in 1990 but later acquired by ESAS Holding in 2005, which transformed a charter airline business model into a low-cost airline business model (Pegasus, 2019). When the business models owned by other airlines operating air passenger transportation are examined based on the definitions they provide on their official websites, it is observed that Freebird and Tailwind Airlines also have charter airline business models. Another airline, Corendon Airlines, which describes itself as a "holiday airline," has also described itself as "low cost" in different press releases (Corendon, 2020; Freebird, 2020; Tailwind, 2020). In general terms, the low-cost airline business model emerged for the first time after 2003, and airlines with a charter business model have begun to adopt the low-cost or traditional airline business model. Another improvement is that state ownership of THY was reduced to below 50% for the first time in the 2000s.

Findings reveal two critical developments were slots and competition in the same period. The slots under THY's control began to be controlled by an independent Slot Coordination Center (Yalçınkaya, 2018), which began its operations on 25.02.2006 (DGCA, 2006), on the other hand, private airlines started to apply to The Competition Authority Presidency for the unfair distribution of the domestic and international flights (*Claim on the abuse of a dominant position of THY*, 2011). Contrary to these commercialization steps, it is seen that THY continued

to invest in different countries at the time. In 2009, THY founded Bosnia and Herzegovina Airlines (Air Bosna) with a 49 % share (THY, 2009) and transferred its shares in 2012 (THY, 2012). In 2018, Air Albania was established with a 49 % share (THY, 2018). It can be seen that these joint ventures outside Turkey are driven and accomplished by the influence of political relations. With the establishment of airlines with different business models in Turkey, THY was driven both by the state logic motivating it to ensure that more citizens fly and by the commercial logic operating on utilitarian purposes to compete with different business models. The fact that the state-owned THY needed to provide services with a public service approach in the organizational field and had to fly on specific routes without compromising the traditional business model characteristics, as it had to be sustainable as a commercial organization, was challenging for it THY. In the organizational field, where the statist point of view holds, new flight routes have been given incentives to enable domestic air travel for more people (DGCA, 2013). Another example of this is the economic airport project. The DGCA describes the project as follows (DGCA, 2007):

"The economic airport project has been initiated to allocate airports with low passenger traffic to 'low-cost passenger transportation.'"

One of the most critical decisions was moving away from single airline designation decisions on international scheduled flights and making multiple designations during this period. It was found that there was a significant improvement in the field, the airline companies started to compete to serve the customers and on the other hand, the airlines started to benchmark each other for strategies and low prices. All these improvements played a role as a driver for some of the airlines (e.g. THY, Pegasus Airlines) and, on the other hand, became a barrier for other airlines (e.g. Fly Air) (Milliyet, 2006a, 2006b, 2006c)

Table 5. Featured changes/improvements in the organizational field (2003-2020)

Phases		2003-2020														
Actors		State									Organization/s					
Logic		←	→	→	→	→	←	→	→	←	←	→	→	→	→	
Changes/improvements in the organizational field		«Airway should be the way of society» saying; «Each Turkish citizen will fly at least one time» 2003	Domestic market deregulation, 2003 2nd Liberalisation	Privatization of THY (%50,88), 2006	Revision of the regulation: SHT-SLOT, Independent Slot Allocation Center, 2006	Multiple designations in the international scheduled flights, the 2000s	State Support: Economical Airport Project, 2007	Tax procedure, 2003	Changes in Airport Management: First Rent Operate Transfer projects, 2005	State aid for certain routes, DGCA, 2013	Bilateral agreements: Flag carrier cognitive barrier created by ICAO members, 1944-2020	Objection to 'flag carrier'(e.g. Competition Authority, 2011)	Serving to customers	Mimetic pressures	Insufficiency	
Business Models	Traditional	·	·	·	x·	x·	·	·	·	·	·	x	·	·	-	
	Charter	·	·	-	·	·	·	·	·	·	x	·	·	x·	x	
	Regional	·	·	-	·	·	·	·	·	·	x	·	·	x·	x	
	Low-cost	·	·	-	·	·	·	·	·	·	x	·	·	·	x	
	Low-cost-Network	·	·	-	·	·	·	·	·	·	x	·	·	·	-	
*Meaning of the signs		←	State			→	Commercial			·	Driver		x	Barrier		

Note: It was created by an author based on the research data

DISCUSSION

The data obtained in this study show that the airline business models have diversified over time in Turkey (Figure 3), but they could not have survived due to the different approaches of the state and airlines (organizations).

The findings presented in Table 4 & Table 5 show that the actors' actions and approaches (e.g. state, organization) became the drivers and barriers for the airlines. The findings demonstrate that the dominant institutional logic in the organizational field was state logic until 2003 and commercial logic became more visible after the government changes. Thornton and Ocasio (2008), who

argue that institutional logic can also change and diversify over time in the organizational field, assert that this change can be transformational and developmental. The present study found that the institutional logic change has been transformational and that commercial institutional logic emerged later to accompany the existing state logic. According to the classification made by Thornton et al. (2012a), the form of transformational change is segregation, and it indicates the development of an institutional logic that is distinct from the existing institutional logic. The findings in the study support the assumption that the actions of organizations, as Thornton and Ocasio (2008) noted, were influenced by the prevailing institutional logic of the period and should be interpreted accordingly.

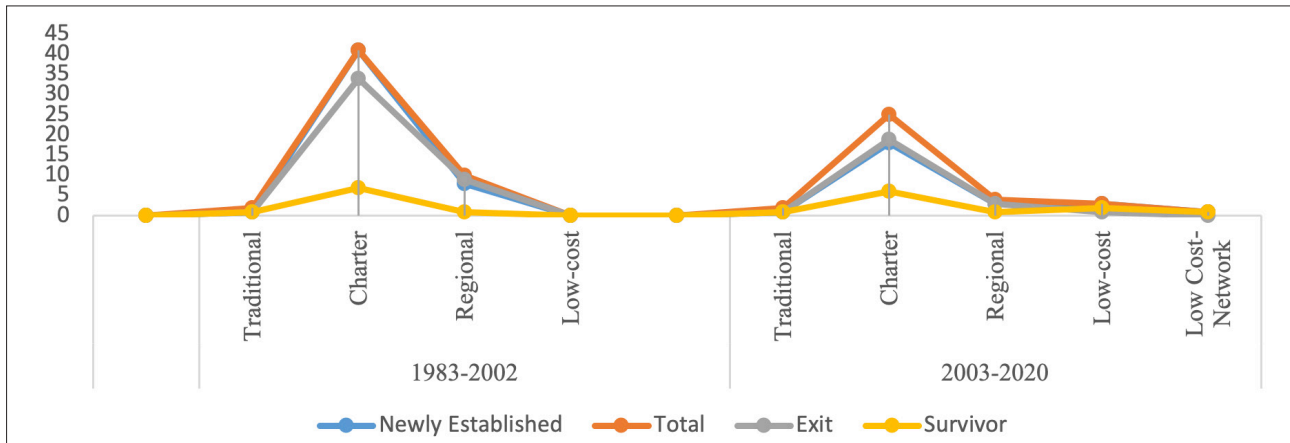


Figure 3. Business Models in Turkey (1983-2020)

Note: It was created by an author based on the research data

With the effect of the commercial logic of the 1980s, most airlines, except Istanbul Airlines, adopted a different business model than that of THY. The business model that marked the 1980s was the charter (non-scheduled) airline business model. Although there seems to be some isomorphism among private airlines here, there was also some differentiation in a business model distinct from THY's. The business model of Istanbul Airlines is the business model that is most similar to that of THY when the conditions of the period are taken into account, but the airline in question has not been able to continue its operations. During this period which witnessed the establishment of many airlines, most went bankrupt. An important finding in the study is that in the 1980s, when different business models emerged, THY adopted different business models under different brands and businesses. Based on the findings, private airlines that are expected to act by commercial logic have been restricted by continuous legal regulations under the dominant state logic and have not continued their activities. This fact has occurred not only by legal constraints but also by some intangible factors, these findings comply with the discussion of Thornton and Ocasio (2008). The most striking example of this is the restriction mentioned above brought by the flag carrier cognitive institution in the organizational field, which limited the options of airlines with different business models regarding their domestic and international routes. Shaped by the state logic, the 'flag carrier' cognitive institution emerged with the establishment of THY by the State in 1933 to serve the general public, an institution that has influenced other airlines (Yalçınkaya, 2018). The flag carrier institution dates back to the resolutions of the Chicago Convention signed in 1944 by member states, including Turkey (Nergiz, 2009). Influenced by the cognitive institution which everyone became inured to overtime, THY was able to fly to any point on domestic

flights and became the only airline designated by bilateral aviation agreements (Elçin et al., 2007; Gerece, 2011; Göktepe, 2007; Yalçınkaya, 2018). However, it is known that single airline designation decisions are not specific to the Turkish context. It is often noted in the literature that various countries have determined the number of airlines that can operate international flights to control their airspace and that these airlines are their countries' 'flag carrier' (Kassim & Menon, 2002). Therefore, it can be said that the same situation occurred in other countries in the 1940s but that its influence later decreased with the tendency of liberalization, privatization, and liberalization experienced in different periods. The widespread use of this practice suggests that such decisions were viewed as natural until liberalization emerged in these countries. The decision to designate a single airline in Turkey, considered 'normal' until the 2000s which is later than other countries, offered THY the opportunity to fly on all scheduled flights between countries. As of 2003, this has changed with the increasing effect of the commercial logic, clearing the way for private airlines' operation on domestic and international routes. This triggered the business models to transform from the charter to low-cost airline/low cost-network business model (e.g., Pegasus Airlines) or from the charter airline business model to the traditional airline business model (e.g., AtlasGlobal). Pegasus Airlines also adopted the low-cost network airline business model by changing it again. The other airlines have the charter airline business model as in the 1980s (e.g., Corendon).

To sum up, both institutional logics affect the diversification of business models. With some exceptions, influenced by the dominant state logic, there has been no business model similar to THY's business model, and the airlines have mostly continued their operations with different business models.

In the 1980s-2000s, especially after the Civil Aviation Act went into effect in 1983, charter airline business models suddenly appeared, increased rapidly, and then went bankrupt at the same rate. Indeed, this was not just because of insufficient capital and lack of experience, but due to the strict regulations (e.g., the restrictions introduced on 'financial power' and 'number of aircraft'; restrictions on flying specific routes; single designation for international scheduled flight) which aimed to control and limit the airlines that adopted the charter airline business model. Operating with the charter airline business models and affected by the state logic in the 1980s-2000s, airlines were unable to fly as scheduled domestic and international flights, their ground services were supplied only by the State, and had to prove that they had the sufficient fiscal power and aircraft to fly. This caused the airlines to be unable to sustain their operations for a long. Furthermore, they were affected by a new regulation that dictated the points flown on domestic routes. Driven by the commercial logic, there have also been changes in ground handling, catering, and fuel services, which are essential services offered as public services in the organizational field. During this period, THY was privatized for the first time as well. During the same period, THY tried different airline business models with its subsidiaries (e.g. BHT, THT) but they could not continue their operations for a long time. With the increasing number of charter airlines in the organizational field and many Turkish citizens emigrating to work in Germany, SunExpress airline, which had a charter airline business model, was established when both serving citizens and competition from foreign airlines were pressing issues. SunExpress airline is the first successful example of THY's multi-business model approach. The findings also show that while airline companies respected THY until 2003, they started to complain and became more competitive by competitive forces (mimetic pressures) generated by the other airlines.

CONCLUSION

To conclude, this paper examines the diversification of the airline business models in Turkey between 1980 and 2020 from institutional logic perspective. The study shows that airlines with different business models have emerged in addition to the traditional airline business model, which used to be the only one in the organizational field. However, no airline business model that resembles the traditional airline business model owned by flag carrier THY has yet to emerge. This is still the case today when THY has started adopting multiple business models besides its traditional one. In terms of institutional logic,

until the 1980s, it was seen that the only institutional logic was the state logic and that the government maintained the entire airline transportation. Then it was realized that aviation was a commercial business that generated revenue. The emergence of commercial logic can also date back to the 1980s. However, state logic exists today and is considered a dominant institutional logic. An exciting conclusion of the study is that state logic plays a more significant role in the non-diversification of business models. While the 'flag carrier' constraint created in line with the state logic prevented the emergence of a business model similar to THY's, the "Airway should be the way of society" motto played a significant role in the 2000s to serve citizens, served a commercial purpose, even though it was part of a state discourse. With this change of perspective, domestic route liberalization and the inclusion of private airlines in scheduled transport on international routes have become possible. Thus, some airlines have transformed their business model, while others have introduced an airline business model that has yet to be exemplified in the organizational field. So, multiple institutional logics in the organizational field influence airlines' business models diversification.

This study contributes to the literature by analyzing the diversifications of the airline business models in four decades and by showing the actors' approaches embedded in multiple institutional logics that have been playing a role as barriers and or drivers behind this diversification. Conducting further scientific inquiries into this subject will help explain the role of institutional logic in the airline business models, especially in the post-pandemic period. Future research focusing on institutional logic may significantly contribute by adding the views of different stakeholders in the organizational field, decisions made by authorities, calls for recovery, state aids, incentives, and projects.

CONFLICT OF INTEREST

The declaration of interest is none.

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Appendix List of airlines in Turkey (1933-2020)

Business Model	Airlines	Established	Exit	Business Model	Airlines	Established	Exit
Traditional	Turkish Airlines (THY)	1933	2020	Charter	Albatros Airlines	1992	1996
Regional	Hürkuş Airlines	1954	1959	Regional	Airgroup	1993	1994
Charter	Anatolian Airlines (**)	1969	1969	Charter	United European Airways**	1993	1993
Regional	Cyprus Turkish Airlines (KTHY) (subsidiary of THY)	1974	2010	Charter	Holiday Airlines	1994	1996
Regional	Bursa Airlines	1977	1985	Charter	Sunways-Intersun Havacılık	1995	1997
Charter	Aegean Airlines**	1978	1978	Charter	GTI Airlines	1996	1999
Charter	Turkol Airlines	1979	1982	Charter	Dardanel Airlines	1996	1999
Regional	Karadeniz Airlines**	1980	1980	Charter	Rose Air Airlines	1997	1999
Regional	Toros Airlines**	1980	1980	Charter	Air Rose Airlines	1999	2000
Regional	Bergen Aviation**	1980	1980	Charter	Park Ekspres Airlines	1999	2000
Regional	Anadolu Air Transortation**	1980	1980	Charter	Inter Airlines	1999	2001
Regional	Doğu Airlines**	1980	1980	Charter	Anadolu Express Airlines	1999	2008
Regional	Güneydoğu Airlines**	1980	1980	Charter	Euro Sun Airlines	2000	2001
Charter	Sönmez Airlines	1984	1998	Regional	Turkish Airlines SRL (subsidiary of THY)***	2000	2001
Charter	NESU Airlines	1984	1989	Charter	Sky Airlines	2001	2013
Charter	Flying Carpet Airlines**	1985	1985	Charter	Freebird	2001	2020
Charter	Marmara Airlines	1985	1986	Charter	Atlasjet|AtlasGlobal (KKK)*	2001	2004
Charter	Orbit Havayolları**	1986	1986	Charter	Bosphorus European Airlines	2002	2004
Traditional	İstanbul Airlines	1986	2001	Charter	Fly Air Airlines	2003	2008
Charter	Boğaziçi Hava Taşımacılığı (subsidiary of THY)	1987	1989	Charter	Orbit Express Airlines	2003	2008
Charter	Talia Airlines	1987	1988	Low Cost	Onur Airlines*	2003	2020
Charter	Anadolu Havayolları	1987	1988	Charter	Corendon Airlines (CAI)	2004	2020
Regional	İnka Airlines	1987	1990	Charter	SAGA Airlines	2004	2013
Charter	Akdeniz Airlines**	1988	1988	Charter	World Focus Airlines	2004	2004
Charter	Toros Airlines	1988	1989	Traditional	Atlasjet|AtlasGlobal(KKK)*	2004	2018
Charter	Tur Avrupa Airlines	1988	1994	Low Cost	Pegasus Airlines* (PGT)	2005	2013
Regional	Bodrum İmsık Airlines	1988	1991	Charter	GoldenAirlines	2005	2008
Charter	Birgen Havacılık	1988	1997	Charter	Tailwind	2006	2020
Regional	Konya Airline**	1989	1989	Charter	Tarhan Tower Airlines	2006	2008
Charter	Noble Airlines	1989	1992	Charter	Best Airlines	2006	2010
Regional	Türk Hava Taşımacılığı (subsidiary of THY)	1989	1993	Charter	Turkuaz Airlines	2008	2010
Charter	Sultan Air	1989	1993	Low Cost	Anadolujet (brand of THY)	2008	2020
Charter	Sun Express Airlines (SXS) (subsidiary of THY)	1989	2020	Regional	Air Bosnia (subsidiary of THY)***	2009	2012
Charter	Pegasus Airlines (PGT)*	1989	2005	Regional	Borajet Airlines	2010	2018
Charter	Blue Line|Mavi Çizgi Airlines	1990	1992	Charter	İzmir Airlines**** (subsidiary of PGT)	2010	2018
Charter	Green Air Airlines	1989	1994	Charter	Sunexpress Deutschland GmbH (subsidiary of SXS)***	2011	2020
Charter	Action Air**	1991	1991	Charter	Corendon Dutch Airlines (subsidiary of CAI)***	2004	2020
Charter	Atlas Air**	1991	1991	Charter	Air Manas (subsidiary of PGT)***	2012	2019

Regional	Hitit Air**	1991	1991	Low Cost-Network	Pegasus Airlines* (PGT)	2013	2020
Regional	Siirt Airlins**	1991	1991	Charter	Kyrgyz Airlines (subsidiary of KKK)***	2013	2018
Charter	VIP AIR	1991	1992	Charter	Zagrosjet (subsidiary of KKK)***	2013	2015
Charter	Air Alfa Airlines	1991	2002	Charter	Jet One (subsidiary of KKK)***	2013	2018
Charter	Antalya Airways	1992	1992	Charter	AtlasJet Ukraine (subsidiary of KKK)***	2013	2019
Charter	Onur Airlines*	1992	2002	Regional	Air Albania (subsidiary of THY)***	2018	2020
Charter	Bosphorus Airways	1992	1993				

Note: It was created by an author based on the research data and the publications (Adiloğlu-Yalçinkaya & Yalçinkaya, 2019; Battal & Kiracı, 2015; DPT, 1990; Gerede & Orhan, 2015; Hürtürk, 2016)

*These airlines changed their business models,

**These airlines were registered but couldn't take the permission and/or never offered actual services.

***The bases of the subsidiaries of the airlines are not Turkey