

THE DILEMMA OF DEVELOPING
AN INDUSTRY CODE OF CONDUCT
IN A MEDIUM OF WIDE SPREAD CORRUPTION

MBA THESIS

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A THESIS

**Submitted to the Department of Management
and Graduate School of Business Administration
of Bilkent University
in Partial Fulfillment of the of the Requirements
For the Degree of
Master of Business Administration**

**By
ÖZGÜR ATEŞ
January, 1996**

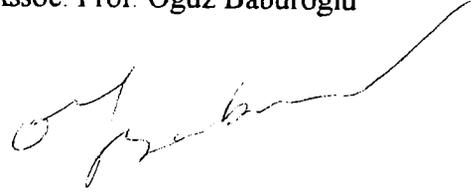
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Assoc. Prof. Oğuz Baburoğlu



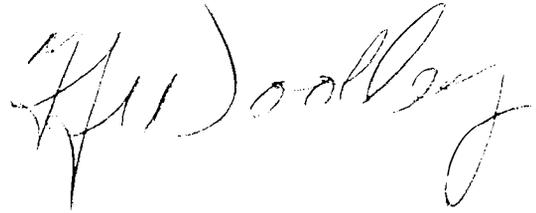
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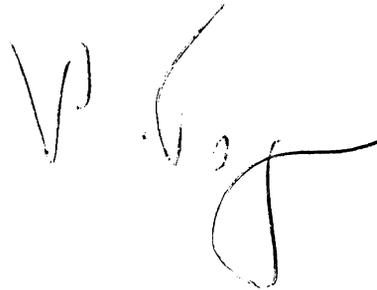
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ABSTRACT

This study analyzes the relations between suppliers and the buyers (decision makers) in the health care products in Turkey. The analysis of the study showed that to establish a code of conduct in the industry, is practically impossible at the moment due to the lack of favorable conditions, basically the corruptive environment.

This study is divided into eight parts. However the main concentration was on ten case episodes, analysis of the cases and strategies related to negotiation. Cases were developed based on the data collected through personal interviews.. The Action Research methodology was employed during the study. This method includes evaluation of agreed upon actions related to the data gathering, information, information sharing, action planning, and lessons learned from the case studies. Also a search conference was held in in March 1995, in Antalya for three days, which is a participatory planning method. The participants, who were 35-40 stakeholders from the health care products sector, designed the future of the sector, and the strategies to implement them.

An official organization (association) called SADER (Sağlık Gereçleri Üreticileri ve Temsilcileri Derneği/ Association of Health Care Product Manufacturers and Representatives) was established to develop honest, fair and trustworthy relations between (suppliers) and the buyers. It is expected this organization will play an important role in the years ahead in achieving its main goals since SADER members control 80 percent of the market.

It is also predicted that all parties namely suppliers, buyers, and the domain, involved will get mutual benefits out of this action plan.

The episodes analyzed in the text will give an analytical perspective to the reader, i.e. the problems between parties can easily be solved through effective communication and understandings.

Based on the analysis of the available data and review of the findings several recommendations are made to alleviate some of the problems that exist between suppliers and the buyers. Findings are classified under the learning perspective which indicates how a necessary change takes place and the cultural and social perspective where characteristics of the domain is reviewed on the individual as well as the societal level.

Key words: Change, action research, code of conduct, negotiation, corruption, business ethics.

ÖZET

Bu çalışma, Türkiye'deki sağlık araç-gereçleri üreticileri ve temsilcileri ile alıcılar (karar veren yöneticiler) arasındaki ilişkileri analiz etmek amacıyla yapılmıştır. Çalışma sonuçları, endüstri ile alıcı kesim arasında bir işbirliği anlaşmasının, rüfvet ve diğer hukuk dışı etmenler nedeniyle pratik olarak imkansız olduğunu ortaya koymuştur.

Bu çalışma sekiz bölümden oluşmaktadır. Ancak, büyük bölümü, örnek olaylar, örnek olayların analizi ve bunlara ilişkin strateji ve müzakere tekniklerine ayrılmıştır.

Örnek olaylar, yüz yüze yapılan görüşmeler sonucu toplanan bilgilerin ışığında hazırlanmıştır. Bilgi toplama aşamasında "action research" yöntemi kullanılmıştır. Bu yöntem önceden belirlenen, veri toplama, bilgi paylaşma, aksiyon planlaması, ve örnek olaylardan çıkarılan sonuçlar dan oluşmaktadır. Konuyla ilişkili Mart 1995'te Antalya'da üç günlük bir arama konferansı düzenlenmiştir. Amaç sektördeki 35-40 iddia sahibini bir araya getirerek iş birliği anlaşması için ortak akıl aramaktır.

Satıcılar ve alıcılar arasında dürüst, karşılıklı güvene dayalı bir ilişki düzeni oluşturmak amacıyla kısaca SADER (Sağlık Araçları, Gereçleri, Üretici ve Temsilcileri Derneği) olarak adlandırılan bir örgüt kurulmuştur. SADER'in önümüzdeki yıllarda yukarıda belirtilen amaçları gerçekleştirme yolunda önemli bir rol oynayacağı tahmin edilmektedir. Zira, SADER üyesi firmalar piyasanın %80 ni kontrol etmektedir.

Bir başka beklenti ise, sistem içindeki tüm tarafların, satıcılar, alıcılar ve ürün ve hizmetlerin son kullanıcıları olan halk bu gelişmelerden yarar sağlayacağıdır.

Çalışma da yer alan örnek olaylar, okuyucuya konu hakkında analitik bir görüş açısı verecektir. Başka bir deyişle, sektördeki sorunlar, taraflar arasında oluşturulacak etkin bir iletişim sistemi ve karşılıklı hoşgörü ile çözülebilir.

Eldeki mevcut verilerin analizi ve bulguların değerlendirilmesi sonucu, satıcı ve alıcılar arasındaki sorunların çözümü için bazı önerilerde bulundurulmuştur.

Çalışmaların bulguları değişik alt başlıklar halinde gruplanmış olup, sektördeki gerekli değişmelerin kültürel ve sosyal düzeyinde de nasıl gerçekleştirilmesi ortaya koymaktadır.

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**To My Wonderful
Family**

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I. INTRODUCTION

"The one principle of life is the principle of change." This old saying contains an important element of truth: change is an inevitable feature in both the lives of individuals and lives of organizations.

The increasing pace of global, economic, and technological development makes change an inevitable feature of organizational life. However, change that happens to an organization can be distinguished from change that is planned by organizational members.

Action Research is a data-based, problem-solving process of organizational change that replicates the steps involved a scientific method. It represents a powerful approach to organizational change, and it underlies many successful change programs. The process of action research consists of three essential steps:

- Gathering information about problems, concerns, and needed changes from the members of an organization.
- Organizing this information in some meaningful way and sharing it with the employees involved in the change effort.
- Planning and carrying out specific actions to correct identified problems.

The action- research sequence often includes an evaluation of the agreed-on actions that have been carried out. An organizational change program may go through repeated cycles of data gathering, information sharing, and action planning before its conclusion.

The strength of the action-research approach to change lies in (1) its involvement of employees in the change process; and (2) the fact that it bases change

on a careful diagnoses of the current situation in the organization. Change effectively occurs when the current situation is well understood, determining in the process what things are done well and what things need to be improved. In addition, stakeholders involvement can present a powerful force for change for at least two reasons. First, people are more likely to implement and support a change that they have helped create. Second, as the stakeholders have identified the need for change and have widely shared this information, the need becomes difficult to ignore. The pressure for change thus comes from within the group rather than outside. This internal pressure is a particularly powerful force for change.

The following study presents the stages and the outcomes of the application of "action research" for an organization called SADER, a Turkish non-profit "Health Care Products Manufacturers and Representatives Association" that houses businessmen and institutions that work in the "Health Care Products Sector" in our country.

A "search conference" was held in March 1995, in Antalya, as one tool of the action research methodology. The search conference is a participatory planning method. The conference uses a systematic process in which participants design their future they want and strategies to achieve it. The search conference is an excellent decision making methodology, because it embodies those principles of participation and collaboration. In the search conference, there was 35-40 stakeholders representing the health care products sector.

However, although it has been a year since the research started, no particular change took place. In fact, at the moment the situation has become even worse than the initial situation.

Our domain is the health care products sector in Turkey. Domain is defined as the technology employed, population served, and services rendered by an organization.

The task environment is the obverse of domain - literally everything else. Domain consensus is a "set of expectations both for members of an organization and for others with whom they interact, about what the organization will and will not do". (Thompson, 1967: 26 - 29). These definitions, although an improvement over simplistic notions of organizational goals, leave considerable ambiguity; and the range of organizations to which they apply is also unclear. The ambiguity occurs because domains and domain consensus are not static. An organization's products and clientele may change over time, and these changes may occur due to organizational action or shifts in the environment. Concern as to whether concept of domain applies to all organizations arises because some, especially administrative bureaus, do not have tangible products. Instead, they make decisions. One can easily speak of a firm's share of the market, but the arena of action reserved to a public bureaucracy is not so easily determined.

"The world will change when things get bad enough"

This common belief ignores the fact that human beings can adopt to almost everything. What was intolerable all too easily becomes the norm.

If we were thinking clearly, we would realize that we are already in the middle of a massive breakdown.

We must, therefore, stop waiting for the event which will catalyze a commitment to fundamental change. Rather we must join together now to create an "intervention" which will enable us to recognize the ever-growing breakdowns.

That was what "SADER" did. They came together to create an "intervention."

SADER- “Sağlık Gereçleri Üreticileri ve Temsilcileri Derneği” is a Turkish non-profit "Health Care Products Manufacturers and Representatives Association" that houses businessmen and institutions that work in the Health Sector in our Country.

The articles of the association states;

The scope of the Association is to assist development of this professional group in parallel to the benefits of the community, to enable an honest fair and trustworthy relation in between the members and the community, to encourage high morals, to facilitate professional activities, to project resolutions to common problems and to set professional discipline, to establish and maintain moral values in the community and similar activities with the aim of serving the public interest;

Members of SADER Association, trust and believe in their goals and assure their community to be faithful to moral standards of the public welfare; to the existing legislation and moral conduct rules of their business and profession which they have chosen with their free will;

They further declare that they'll be honest and just to their colleagues, customers, to the community, and to all with whom they have business relations;

They undertake the task of furthering the life style and public welfare by conveying the latest progress in their professions;

They endeavor to support and encourage to achieve and spread a high qualified health service within the country; to produce and present superior quality sanitary products and health services as members of a profession aiming human health and public hygiene that fits to human dignity;

They guarantee to be honest in public advertisements and other announcements through news media; and to attempt to establish good faith and friendship while presenting the professional and business products to the public use;

Priorities and preferences to SADER members will not be anymore than what favorably be willing to give to others in their normal daily behaviors; and also not to expect similar conveniences or benefits from SADER members;

They have set up their goals to see that all decisions in the business and professional work seem to encourage public benefit, high ethical standards and serves the interest of all concerned.

What is unique about SADER?

In Turkey, there are a number of associations that are established to collaborate in order to improve their working environment and identify, handle the problems that distract efficient operations, TUSIAD (Turkish Industrialists and Businessmen Association) is the pioneer of such attempts. It is the first association to declare that a code of conduct is needed among its members against unfair competition. The objectives of SADER is similar to TUSIAD's attempts. What makes SADER unique in its efforts is that; apart from its own members, it tries to involve all the stakeholders in the health industry.

II. CASE DESCRIPTION

SADER member firms are competing in a highly competitive market where there are about 35,000 small entrepreneurial firms, together with them (SADER) selling the same variety of products.

Within SADER, there are forty two member firms, all having a significant market share especially in their own field of interest, where a total number of two hundred and fifty firms are represented. Although it is very hard to give an exact number on SADER member firms' market share in the overall health equipment/materials market, it is estimated to be around 80%. If two hundred and fifty firms control 80% of the market, and the rest 35,000 firms control 20% only, it is easy to conclude that they are very strong in the market.

However, SADER member firms are not very happy with the on going buyer-seller relations. They claim that there is no rule in the market, and it is impossible to compete decently in such an environment. People make up rules by themselves and they act accordingly. It is hard to determine what is going to happen next.

A new firm enters into the market almost everyday. The basic strategy of these small firms is to compete with low prices which SADER firms are forced to match the low selling prices.

Rapid technological development is one other important aspect of the industry. When the buyer buys the equipment now, most probably in five years time, he will not be able to find the spare parts for maintenance as the technology has become obsolete. All health care products are imported. Some are imported as a whole, and some are assembled in Turkey.

The political and legal environment in which SADER firms operate has a great impact on them. Due to political instability in Turkey, it is very difficult to establish long term contracts, with buyers as well as suppliers. Most of the time a favorable treatment is given to those firms which are backed by the politicians. They also have serious problems with certain government regulations. The regulations do not operate effectively and this leads to illegal as well as unethical activities. Due to gaps in the "tender law", the tenders do not work effectively. For example, although there is one firm in the market that sells a special feature product, three firms have to compete for the bid, so two dummy firms found or established in order to fulfill at least the three company participation rule to bid for the deal.

In terms of the educational qualifications of the sellers, there is no professional background requirement to enter the market. The Health Industry is a very sensitive industry, since it deals with the lives of the people. In the medical equipment and materials market, even a high school graduate who knows nothing about medical equipment can establish a firm and become a seller. Furthermore, this market does not require too much capital investment to enter.

Consumers in the industry, demand high quality products with low prices. It has to be noted that the price is a subjective issue in the transactions especially with the public sector purchases.

II. 1. Case Related Episodes

The following episodes provide inside information about the buyer-seller transaction in the sector.

II.1.1. Episode I

One private hospital decides to buy a specific equipment. Before proceeding with the details, it should be noted that, this equipment is highly sophisticated, upgradeable, needs efficient after sale service, etc. The hospital places an advertisement concerning the equipment that it needs, asking the suppliers to submit their offers. A large number of suppliers responds to the ad, bringing their brochures, catalogs, etc., promising to supply what is needed. Up to this point every thing seems to be going perfectly well. However, the hospital's management faces a problem. It is not the price, it is the reliability and trustworthiness of the supplier. Can he provide the technicians for the services needed? Does he/she have technical knowledge and experience about that specific equipment? And an endless series of questions that goes around the same point, the suppliers' quality.

Afterwards, the management buys the equipment without finding definite answers to its questions. The supplier fails to fulfill his promises, namely servicing the equipment because he had no spare parts at hand and technicians on its payroll to perform the after sale service adequately. Moreover, he was all the time escaping or trying to do his best not to confront with the hospital's management.

In short, the supplier hits and run, and since there is no "third person insurance" for these kinds of problems, the hospital's management has to suffer the drawbacks of lack of information about the suppliers and , inefficient auto control systems which leads to these kinds of conflicts. Then, the hospital management becomes more suspicious, and makes it purchases more slowly, hoping not to fall into

the similar trap again. The problems may be minimized or even eliminated by establishing an accredited rating system for the suppliers, and having a formal auto control mechanism among the sellers.

II.1.2. Episode II

Two and a half years ago one SADER member made a sale worth of 2 billion TLs to a government hospital in Istanbul. He was not paid on time due to insufficient funds. He gave up his hope when the austerity program was implemented within the framework of April 5, 1994 economic package. However, after sales he was informed that, the hospital was delivered some amount of money, something like five hundred billion from the ministry of finance. He happened to be a close friend of the hospital's accountant and took his word for payment. He said "sorry, we won't be able to pay you now, since we don't have any money. But trust me, you'll be the first to be paid as soon as we receive the government check". But this time when he again was refused, he decided to take an action. In addition to this, he found out that, the same hospital paid another firm where the sale took place only three months ago.

He called the dean of the faculty and the accountant together for a meeting, and said he would like to talk to them about the payment. But when he arrived, he noticed that nobody available for the meeting, both of them just disappeared, although they knew that he was coming from Ankara for this business only.

So, if the supplier was somewhat aware of the situation, i.e., knew how the hospital treats its suppliers, and their inefficiency in payment, he would have at least took other possibilities into consideration.

II.1.3. Episode III

When one hospital opens a tender, according to the law, there should be at least three bidders, all of whom are matching the specific equipment they wish to purchase. If the hospital's purchasing commission is unable to decide on one bid at the first bidding, they have to invite the suppliers for a second bidding, if still not, there is a third, which is the last round.

Due to the same law, a supplier should bring a guarantee letter from a bank, in which it is stated that the recipient had deposited, or have in assets, an amount equal to 5% of the tenders' value as prerequisite of bidding. Moreover, the supplier should demonstrate his equipment before a commission whom is responsible for the decision making.

The story goes like this, a hospital, where the hospital's purchasing commission chief had already in mind a supplier that would provide the equipment, opens a tender because of the law requirement. Our supplier, decently bids with the lowest price, submitting 5% bank guarantee, which was approximately 1 billion TL, and demonstrated his machine. It should be noted here that our supplier went through this process three times.

Moreover, in all three tenders he managed to be the first (bidding with the lowest price). At the very last step, the commission changed some specifications and tender terms in the contract to refuse the available ones and that enables them to buy from the firm they want.

Later, the supplier filled a complain to the Ministry of Health and claimed that the procedure was unethical. But the authorities, replied back stating that, although he

was right, there was nothing that could be done because the other suppliers were simply “more equal than others” (Animal Farm). In other words, the chief of staff was untouchable and nothing can change his decision making rules due to his close contacts with the influential bodies in the government.

II.1.4. Episode IV

“Why would a person who owns a private special construction firm would still hold or remain as a hospital’s accountant???”

To make the picture clearer, a hospital accountant, is a person who pays the bills and signs the checks, and acts on the behalf of the Ministry of Finance.

The story goes as follows, our supplier sold a million dollar worth of material to a hospital, and did not get his check six months after the delivery (supplier expects to be paid at most after three months because of the economic conditions in Turkey). By that time, he went to the manager of the hospital, told about the situation and said that he was supposed to be paid several months ago. The supplier was advised to see the accountant, and he was shocked by the later respond. The accountant was so bold that he asked directly for a bribe. The supplier was told if he wasn’t to bribe, he wasn’t to get the check.

And since he did not pay the money, he faced the following “peculiar” payment procedure. He always received half of the remaining amount where the payment was never to end, that is to say he gets 50% of the total and then 50% of the rest and so forth. When he complained to the hospital’s manager, since he was his *close* friend (more equal than others), the manager said that there is nothing that he could do because the accountant is affiliated to another ministry.

Afterwards, the accountant was caught while taking a bribe. However, his penalty was transferring him to another, larger, hospital in another town .

II.1.5. Episode V

Once upon a time, a hospital's managers wanted our supplier to sterilize the expired disposable material they had already on hand. But to sterilize the expired material is very costly (sometimes 90% of the cost of new ones). The amount of money that the hospital managers offered the supplier was so low (below the ceiling cost) that it was impossible to accept their offer. However, if he was not to accept the deal, the hospital managers were going to use the unsterilized material as it is (since there is no other manufacturer in Turkey of that specific material). Moreover, they threatened him of putting him in the suppliers "black list".

Although it did not matter whether he was going to be black list or not, he says, he accepted the deal because he was desperate... (Regardless of the fact that this supplier sells disposal material each year to the same hospital worth eight million dollars). Moreover, as he mentioned, he also offered to sell them new made materials with discount instead but they refused.

II.1.6. Episode VI

A university was willing to buy a group of body sensors (body temperature measuring device). The bids were open to either foreign or domestic firms. The regulations prohibit the participation of a domestic firm to enter a bidding if foreign firms show interest. So, the story did start. The company had to prove itself incapable of meeting the bidding specifications so that the foreign company with a special request

from the university administration, can participate in the tender. The domestic company agreed not to make an offer, so that it would leave the stage to the foreign company. Under normal conditions, the sensors range would be between 20 to 50 C. But to eliminate the domestic firm from the bidding, the university requires a sensor with a range of -100 to 200 C. So, the domestic firm that offered a sensor with a range of 20-50 C was automatically eliminated. And the foreign (German) firm signed the contract with the university. Soon, the domestic firm learned that the decision makers were invited to a conference in Germany by the foreign company for the favor that they had done in the selection of the devices.

II.1.7. Episode VII

" When a supplier sends an invoice to the Pension Fund Institution, it is assumed to be true! " The real story goes in a different way.

The old retiree entered into the doctor's office hoping for a cure for his sickness. The doctor has issued the required prescriptions for his patient. Then, the patient went to a drug store to buy the medicine. The supplier fills out the prescription. However, he does not give the correct invoice to the institution. Because there is no control mechanism on the procedure, the supplier, clever enough, fills out the empty parts of the invoice with the drugs he has not provided to the patient, but paid for it. The prescription that the patient gives to the supplier, does not match with the invoice of the supplier that is sent to the institution. The patient leaves the supplier's office with two different medicines being unaware that, the supplier wrote five items on the invoice.

II.1.8. Episode VIII

Once upon a time , a hospital's purchasing department chief ordered 200,000,000 TL worth of disposable material from a supplier. Each unit of the material had a list price of 37,000 TL. Although the price of the material was 37,000 TL, the supplier had written the price as 40,000 TL per unit in the invoice. He stated that the difference of 3000 TL was a premium for the delayed payment of the buyers and that premium was established by his own judgment. When an institution, hospital or another buyer purchases equipment or material from any supplier, the payment must be made to the supplier within at most 45 days. But in this sector because the hospitals have problems in collecting their money from patients, social security and retirement funds, they delay their payments to the suppliers. The payment period can extend up to even two years. So, the suppliers make adjustments to their list prices in order to compensate for delayed payments. But, the adjustments are not based on any legal ground. It is solely based on the judgments of individual suppliers. Because, the suppliers can not collect interest on postponed payments for their account receivables, so they apply the stated method.

II.1.9. Episode IX

The head of the hospitals' administration who was in charge only for five months announced a bid for medical equipment and material worth twenty-two billion TL. However, surprisingly he received only three offers, with very high prices. Since he knew there were firms which sold the same equipment for a lower price, he asked why they did not attend to the bid. Their answer was a shock. They were threatened

by the other three firms which were actually affiliated to the same company. They have determined “lowest” bid price among themselves and one was quoted the determined lowest price and the other two were to make higher offers. Since the one with the lowest was to get the bid, they would supply the equipment and material together and share the profits accordingly. Other firms that were planning to attend the bid and preparing offerings were threatened that if they were to participate in the tender.

The head of the hospitals' administration who heard about this, immediately canceled the bid and said that, they would simply not open the tender until necessary circumstances and conditions are obtained that every firm which meets the requirements can participate the tender. Then the manager of the firm with the “lowest” price came up and told the head administrator that they can negotiate, the selling prices by compared last years offers. When the hospital head looked at the last years price, he was shocked again, because last years price was even higher than this years price. He later learned that the old hospital president accepted bribe and gave the bid to the firm which offered a very high price.

Since the new hospital president canceled the bid and rejected taking bribe, a few weeks later he was dismissed from his position. He learned that, the firm was sharing the huge amounts of profits with a political party and that certain political party's leader dismissed him from his duty, accusing him of performing his duties improperly. They reappointed the former hospital head again for the same position who was sued for impropriety and had six law suits were filed against him for taking bribe. When the hospital head said that “You have to prove the accusation of impropriety at court.” then they assigned him to another hospital as the head again.

II.1.10. Episode X

On July 6, 1995 in Milliyet newspaper, there was a news article claiming “Impropriety in the Ministry of Health” accusing most top managers for taking bribes and for permitting illegal actions during the bids (among these managers, five have attended the Search Conference of SADER in Antalya). According to the article, all of these managers have taken billions of TL worth bribe and were sued. However, later on, no further news were heard about the case. When I asked about the case to a SADER member, he said that the journalist who wrote the article had no evidence to support her accusation but ‘was’ sure they were taking bribe (which in fact is the case). But the story was different. In fact, what she had in mind was to gain the power to get her husband, who was a medical doctor, a good position in a government hospital. After this news in the press, all the top managers were dismissed from their positions. Some were even assigned to different cities. Most important of all, the journalist succeeded and now her husband has a very good position in a government hospital.

II.2. Metaphor : Zigging in a Zagging Environment

A metaphor is created when a term is transferred from one system or level of meaning to another, thereby illuminating central aspects of the latter and shadowing others. A metaphor allows an object to be perceived and understood from the viewpoint of another object.

A metaphor is simply an illustrative device. It can thus be seen as a crucial element in how people relate to reality.

SADER a Zigger

“No great thing is created suddenly, anymore than a bunch of grapes or a fig, there must be time. Let it first blossom, then bear fruit, then rippen”.

The world is made of ziggers and zaggers and the theory is that there are more of the latter than the former.

Creative people are independent. They learn to consider zigging when everyone is zagging. Of course, when you do this, some start grumping and craping because you are going against the grain. And the reason the people do not like your approach is usually that it's different.

“That is not they way it is done!”

People say “ it makes me uncomfortable”.

SADER is the Zigger trying to compete decently in the Zagger environment. They are trying to set up some rules of the game by themselves for the maze that was formed by regulations and deals. On the other hand the Zaggers are the weasels that tackle the way of the ziggers. They perceive the ziggers as a threat to their interest so they resist to change. SADER members were eager for a negotiation invited the stakeholders (the zaggers) that would give them a chance to reveal their existing problems. SADER's only desire is negotiation.

How to be a Zigger in a Zagger Environment

There is a lot of zigging ability in all of the so called non-creative people. Thinking differently does not necessarily mean thinking right. There are times when the obvious way, the zagging approach, may be the correct one. The creative challenge may then be to make the obvious seem different, fresh, rewarding.

People who have developed their creativity want to know who said what and why and what made them say it and what their relations were to the person to whom they were speaking. It is one of the first steps to getting to the “what if” or zigging question.

Willingness to solve problems, even relishing it, is a clue to those with creative leanings. A zigger should be impulsive, snatch at the idea before it drifts away. A zigger should be determined to work on it, and develop it.

Talented creative people try to maintain independent thought processes. One of the best ways to develop this independence is to solve a problem with the obvious approach even if the obvious way seems to be the correct way. Then, do the same thing again- only this time using a different approach. This can accomplish two things; (1) it can open the door to whole new direction, something so revolutionary that it rides over the top of what seemed to be obvious; (2) it can become an exercise in independent thinking to get the mind in the habit of questioning, going beyond the usual, looking at things differently, zigging.

Table 2.1 *The Ziggers and The Zaggers*

ZIGGERS:	ZAGGERS:
<ul style="list-style-type: none"> • Decent Competition 	<ul style="list-style-type: none"> • As long as he is winning he does not care about what's right or wrong
<ul style="list-style-type: none"> • Sick of zagging • Consistent • Collaborate/ cooperative • Set rules of the game • No bribery • Auto control • Respectful sales force • Informative (information flow continuity + access to) • Code of conduct 	<ul style="list-style-type: none"> • Short-term view • Unethical • Inconsistent • No rules (Wins) • Jungle • No regulations • Hit and Run • No standards
<ul style="list-style-type: none"> • Trustworthiness among parties • Negotiation • Institutionalization • Transparent society 	<ul style="list-style-type: none"> • Fear and resistance to change to regulations • No respect to others • No trust • No collaboration • As long as he is O.K. he doesn't care about the system • No trustworthiness • No sanctions
<ul style="list-style-type: none"> • Set norms obeyed • The ongoing system is bad so they are willing to change • They are against bribery • Training the customers so that they can ask for high quality • Desire for long-term relations • Standardization (service + product) • Marketing gains importance 	<ul style="list-style-type: none"> • Everybody is independent • Irresponsible • No regulating organization • Complete uncertainty
	<ul style="list-style-type: none"> • Unfair competition • Self-oriented • Bribery tendency • Conflict of interest • Asymmetric relations • No entry barriers • Mostly uneducated sales force • No monitoring on the Buyer-Seller transaction (Exchange) • No concern about quality • High favoritism • Exploitation

III. CASE ANALYSIS

III.1. The Rules of the Game

As a practice, business is circumscribed by rules; but like any practice, business does not just consist of rules. Most of its guidelines are implicit, tacitly understood by all players, with certain minimal allowable deviations and, equally important though rarely said, an indefinitely long list of understandings about what a businessperson does *not* do. But, in addition to these many, many tacit understandings, there are the explicit rules. It is simply false to think, as “bad sports” “*Zaggers*” sometimes do, that what is not explicitly prevented by the rules of the game is thereby acceptable; indeed, if that were the case there could be no game, for the list of rules itself would be so long that players would never finish reading the initial instructions. Most businesses, in other words, are built upon an accretion of activities and “plays” that are paradigmatically acceptable, with some deviations and an inarticulate understanding that no serious deviation from those practices will be acceptable, whether or not anyone has ever challenged them and put them in a rule.

There are certain rules, of course, that are required just to start the game, or the business in our case. When a group of children make up a game, they do not begin by making up the rule book; they begin with a general description that serves as a set of rules: “you’re O.K. to play this game, they don’t play because they are still children. You take (whatever) and try to (do something).” Explicit rules are added as needed “No you shouldn’t (do it) like that, that’s unfair!!” The game like components of business must be put and understood in much the same way as components of sports. The explicit rules- those that have become laws or government regulations and those that have been stated (usually vaguely) as a sector- or industry-wide “code of ethics or

conduct”- are mostly attempts to settle disputes and deviations that are too far from the established practice and its tacit rules or, in extreme cases, antagonistic to its ultimate purpose.

Among the variables that academics use to understand the rules of the business, the most essential are Number of players; solutions; outcomes; and knowledge. However, what we are interested in is not these variables but what is the structure of each variable, moreover, and to know what are the structures now and what are the changes that SADER wants to achieve.

Lets begin with the first variable, the number of players, of course SADER wants to keep the number as high enough to secure coalition as well as competition, grouping together in competition. On the other hand, it wants to keep the number as low as possible so, that only who is capable to play will survive. Second, is the solutions. SADER again wants to get to the position of between non cooperative (where it is highly competitive environment and one person’s loss tends to be he other’s gain) and cooperative (where its environment is noncompetitive, mutual gain, or minimal mutual loss). When coming to the third variables, the outcomes, SADER again wants to play the good guy by moving to non-zero-sum (where it is possible that everyone wins or loses) instead of constants-zero-sum position (where if one wins, others must lose). Finally, the knowledge variable, it wants to construct a business environment where all possible moves are known or at least probabilities, odds, and chances are known.

- “Captain, we’re between a rock and a hard place”

No organization can expect its strategy to sail along in calm, untroubled waters.

It’s zaggers’ strategic masterpiece to say “we’re the only show in town, so lets tell the customer want is needed and then we’ll produce it and tack on our profit

margin”. So, we happily purchased obsolescing, poor equipment (*Turkey is a graveyard for health care equipment*).

“Don’t catch a fish for me, teach me how to fish”.

SADER moves from where it is to where it wants to be, and future skills, which represent the needs of the attained strategic profile.

The reality of the market place: “how to turn lead into gold”.

III.1.1. Why Compete Fairly?

The Greek philosopher Chilon indicates (560 BC) that a merchant should accept a loss rather than gain a dishonest profit. Why? Because dishonesty is damaging forever while monetary loss is temporarily painful.

Corrupt payments do not always result in a restraint of trade in the obvious sense of preventing competitors from even having a shot at the market. As it has already been suggested, the payments may simply be part of the general atmosphere in which there are apparently many competitors, all making the same sort of payments, to a greater or lesser extent, and all accepting the rule of the game. But although competition *per se* may *perhaps* be said to be compatible with such an atmosphere, it does not rule out the *Unfair competitiveness*.

What are we then to make the metaphor of the poor man watching the stack of grain: Just what kind of competition is its invocation intended to stifle?

It has been observed that competition involving the subordination of officials can often deprive competitors of their expectation of winning or losing business solely on the economic grounds of quality, pricing and so on.

In many countries where *bribes* makes difference to getting the business, it is claimed that bribery is “a way of life”. In those countries government, officials are expected to make up for low salaries by taking bribes as perquisites of their offices. Bribes thus function as a sort of tax levied on the firms that use government services, and they are held to be harmless. What the officials do in return for these bribes is just what they are supposed to do anyway-carry out their jobs.

Whatever the conditions are the suppliers tries to get the contract by meeting minimum conditions of purchase imposed by the buyer (long, complex and obscure) while maintaining maximum profit possible. Sellers try to make their products look like the buyer’s product specifications, even if it doesn’t.

When businesses *compete unfairly*, legal and social responsibility issues can result. Intense competition sometimes makes managers feel that their company’s very survival is threatened. In this situation, they may begin to see unacceptable alternatives as acceptable and, thus, may engage in a questionable practice in an effort to ensure the survival of their organizations.

There are rules of acceptable behavior on which most competitors generally agree. When competitors step over the line of acceptable behavior, legal action is taken or ethical concerns are voiced.

III.1.2. Unethical Behaviors

Business ethics is the study of how personal moral norms apply to the activities and goals of commercial enterprise. It is not a separate moral standard, but the study of how the business context poses its own unique problems for the moral person who acts as an agent of this system.

Familiar Unethical Quandaries in the sector of medical equipments, etc.,

- Greed
- Cover-ups and misrepresentations in reporting and control procedures
- Misleading product or service claims
- Reneging or cheating on negotiated terms
- Poor quality
- Making a product decision that perpetrates a questionable safety issue
- Knowingly exaggerating the advantages of a plan in order to get needed support
- Promoting the destructive go-getter who outruns his or her mistakes
- Failing to cooperate with other areas of the company- the enemy mentality
- Lying by omission to employees for the sake of business
- Abusing or just going along with corporate perks that waste money and time
- Corrupting the public political process through legal means

What is more, theoretical frameworks for reconciliation, though important, are obviously not enough. There is an old proverb: "The road to hell is paved with good intentions." many analysts of business ethics have noted that most instances of business wrongdoing are committed by people who never deliberately set out to commit unethical acts.

Through contracts and dealings with vendors, purchasing managers are custodians of their company's reputation for courtesy and fair dealing. The ultimate act of selecting a vendor and awarding an order is essentially an act of patronage. Thus a high ethical standard is essential.

There are seven types of ethical improprieties in purchasing: commonly recognized practices, sharp practices, reciprocity, competitive bidding, negotiations, acceptance of presale technical services and samples, and vendor relationships.

Some of the items listed above, are explained in greater detail below.

Commonly Recognized Practices: Gifts and kickbacks should not be offered, nor should buyers purchase from family members since, in such circumstances, a buyer's loyalty can be misdirected. Likewise, buying from, or selling to, a firm the buyer is an owner or part owner can create conflicts of interest.

Sharp Practices: The term *sharp practices* is typically thought of as engaging in evasion and indirect misrepresentation. In today's buying and selling environment, which is based on mutual confidence and integrity, such practices are frowned upon just as severely by the buyers themselves as by the sales organizations with which they deal.

Competitive Bidding: here, there is a fundamental implication that the low bidder will receive the order. However, this does not always happen. Some factor or variables may affect this procedure.

Organizational buyers and sellers are engaged in activities which come under the continuing scrutiny of superiors, associates, prospective suppliers, the public, and the press. The code of ethics codifies key problems faced by buying and selling individuals.

In this code the following is stated:

- Interests of the firm are foremost in all dealings. This concept implicitly indicates that personal gain from suppliers in the form of "commissions" (gifts, bribes, etc.) clouds the objectivity necessary in making the best decision for the buying organization.

- Avoiding “sharp practice.” This includes misrepresentations in order to gain an unfair advantage over a vendor.
- Subscribe to honesty and truth in dealings. This is similar to the sharp practice point and emphasizes that honesty and truth will benefit the buyer in the future with like action from vendor.

Although the typical buying organization has developed the methods of science, its decisions remain largely a matter of personal judgment. The purchasing manager, through contacts and dealings with salespeople, is the custodian of the organization’s reputation for courtesy and fair dealing. The opposite is also true, with the salesperson also being expected to retain his/her organization’s reputation for courtesy and fair dealing. A high ethical code of conduct is essential for both parties. Courtesy and fair dealing beget confidence and cooperation on the part of both of the buyer and seller. This is something intangible-something that will frequently spell the difference between a merely adequate buying or selling performance: it will also be a major contribution to efficiency and profitability.

III.2. Business Ethics

Business ethics is certainly not one-sided. Buying personnel are faced from time to time with unethical sales practices-practices that might include: collusive bidding, restrictive conditions in specifications, artificial stimulation of demand, verbal or actual sabotage of competitive products, padding of orders and shipments, the use of highly technical and/or other unfamiliar trade terms and measurements, etc. Furthermore, sales people are not under direct, continuous supervision, but are under constant pressure to produce sales. They are faced with additional temptations offered by myriad opportunities for unethical behavior invited by their position. Some of the most common areas of misconduct are as follows:

- *Bribes*: some bribery and the existence of some unscrupulous purchasing people are a fact of life. Bribery, kickbacks, and payoffs are illegal and can get both salespeople and their organizations into serious trouble.

What should executives do when officials expect bribes to secure contracts? The traditional response '*when in Rome, do as Romans do*' will not suffice. 'Executives find themselves in situations where no clear ground rules exist. It is an ethical minefield that companies are only now beginning to address,' says Andrew Wilson of Ashridge Management College.

- *Lying*: this may range from exaggerated claims for a product or service to lying about a competitor's situation with regard to specifications, quality, serviceability, etc.
- *Gifts*: many buying firms prohibit employees from accepting any gifts whatsoever. Perhaps more should do the same.
- *Entertainment*: Some entertainment is important and is necessary part of doing business, as it might serve to strengthen a relationship and build rapport. However some salespeople exaggerate on this part and do the unbelievable in order to win a contract.

III.3. Clean Up

Many executives argue that the traditional 'lose your morals or you'll lose your markets' approach no longer works. 'The conflict over doing right versus doing a deal exists only in the short term. In the long run, companies using ethical practices will win out' says Olivier Lecerf, former chairman of Lafarge-Coppée.

Not all codes are created equal, of course; efforts range from vague commitments to honesty and integrity to specific lists of what may not be done. Most outline policy on conflicts of interest, bribery and other criminal activities, and accepting entertainment. Increasingly, integrity and fairness in dealing with suppliers, and customers, and in marketing and sales tactics, are also stressed.

Corporate codes of conduct can help to institutionalize changes in behavior but they cannot initiate them. Lasting change will come from competitive pressure.

Integrity and trust are vital elements in business relationships. If business people, groups and entities do not nurture and maintain trust, there is no credibility. Without credibility, business relationships cannot effectively endure.

A code of conduct should first begin with general outline of acceptable, ethical business conduct.

In earlier decades, many firms' managers believed that *deception, bluffing, and puffery* were the best ways of dealing with groups outside the firm.

Providing or accepting payments that will "grease the rail" is not only unethical behavior, but is deleterious to effective competition and good business practice.

Figure 3.1 *The Market as a Complex System*

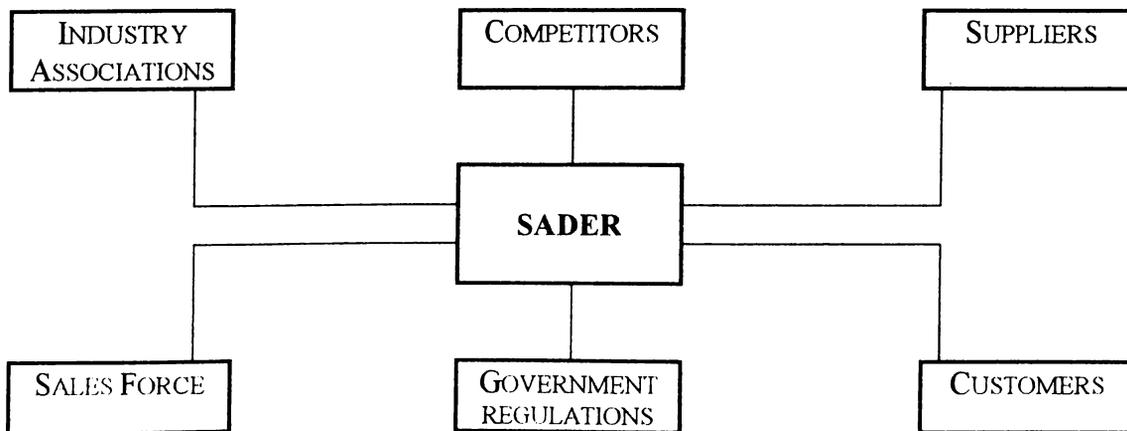


Table 3.1 *Environment Dimensions*

COMPETITIVE CONDITIONS:

- Lack of market domination by one company and/or organization.
- Competing with one-shot suppliers.
- Unfair competition.

ECONOMY, FINANCIAL ENVIRONMENT:

- Weak TL.
- Huge government deficit, limiting funds that corporations and/or organizations can borrow for development.
- High interest rates.
- Questions regarding stability of social security system.
- Large percentage of money allocated for defense.
- Increasing costs of health care.

MARKET:

- Numbered or few government purchases with high amounts, which eventually is controlled by the players and suppliers of the market.
- 35,000 small entrepreneurial firms.
- Everyday a new firm pops up.

REGULATORY ENVIRONMENT:

- More government regulations
- Codes of conduct, ethics, etc.

TECHNOLOGY:

- Rapid technological change.
- Need to manage more information more efficiently.
- Improved communications and mobility, events can quickly become know around the nation.

SOCIETAL TRENDS:

- Shortage of technical-field professors in colleges.
- Corruption at all levels, there is a price for everyone.

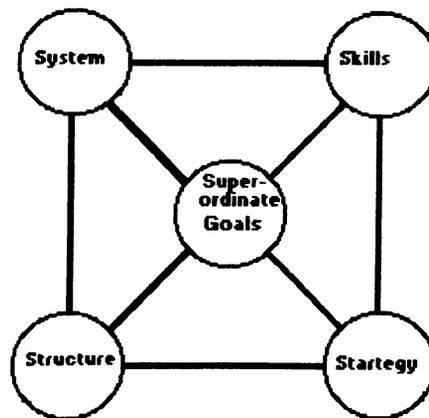
POLITICAL ENVIRONMENT

- Instable.
- Favoritism of the politicians to give the bids.

III.4. From 7S to 5S

The effective organizational change is the relationship between the 7-Ss (structure, strategy, system, skills, staff, style, superordinate goals). However, the picture in this sector is a little bit different. It is true that modifying a framework is not an easy job, but talking about the style and staff is irrelevant in SADER's case. The modified framework that came out is the 5-S which is shown in figure 3.2..

Figure 3.2 *The 5 S*



III.4.1. Superordinate Goals

SADER was built around the idea to compete decently in an environment where no corruption exist. However, no corruption is the mirror image of zero defects in a production line. Both are very hard to establish, but everyone tries his/her best to achieve this level.

III.4.2. Strategy

The actions that SADER planned in response;

- Achieving sales dominance.

- Provide a better service to customers.

III.4.3. System

SADER is not yet well-organized. They are in the process of developing a system where they would be able to implement their strategies, successfully.

III.4.4. Structure

They have focused on the dimensions of the structure which are crucial to the evolution of change (strategies).

III.4.5. Skills

Figure 3.3



SADER is moving from where it is to where it wants to be, and future skills, which represent the needs of the attained strategic profile.

III.5. Porter Analysis

Industry Key Forces

Porter, in his famous elements of industry structure framework, identifies five forces that determine the industry's atmosphere. When the industry's atmosphere was analyzed by using Porter's framework, two types of findings can be concluded. The first, if we want to draw a clear map for the industry which shows the players and SADER members and the key forces, we had to make two frameworks. One has the industry competitors in the center key force position, and the other has SADER in the center key force position in order to see who is affected by what and whom.

The second, if we are to consider the whole industry players (stakeholders) in the center key force position, we will get four key forces instead of five. The substitute force will be eliminated since there is no substitute for what all the competitors are offering. While if we take the competitors within SADER in the center key force position the picture will be different. The substitutes, here, will be all the other competitors in the market whom are not SADER members, and the new entrants will be favored to enter the SADER association. Due to the above separation' or having two maps of the industry's key forces or elements, the bargaining power of the suppliers and buyers will change accordingly, based on their power determinants, as shown in Figure 3.4 and figure 3.5..

Each key forces power and/or threatening position are also shown in the figure in a way that it gives an idea about how powerful or weak they are, and of course how threatening they are.

Figure 3.4 *Elements of The Health Care Products Industry Market Structure*

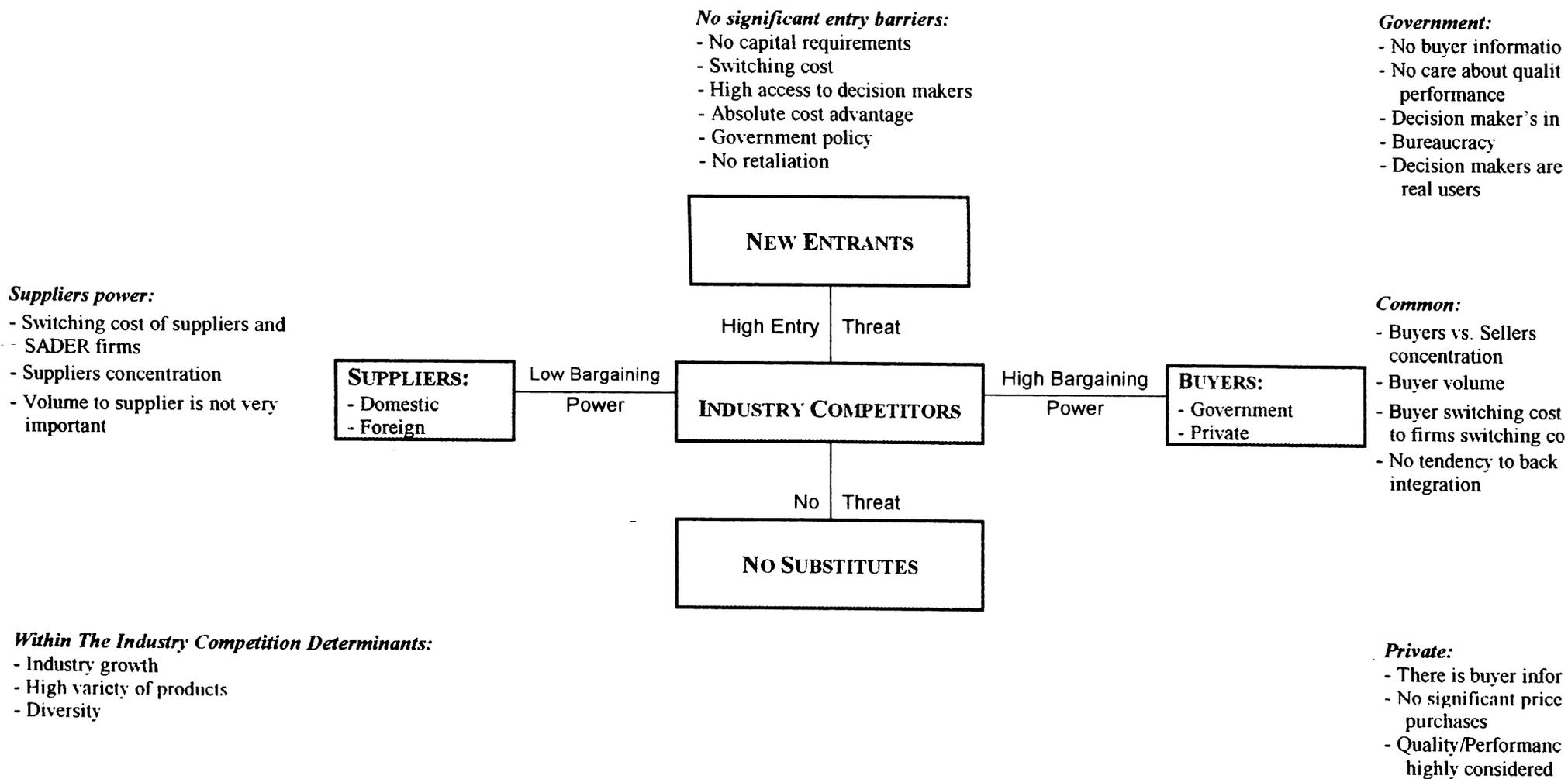
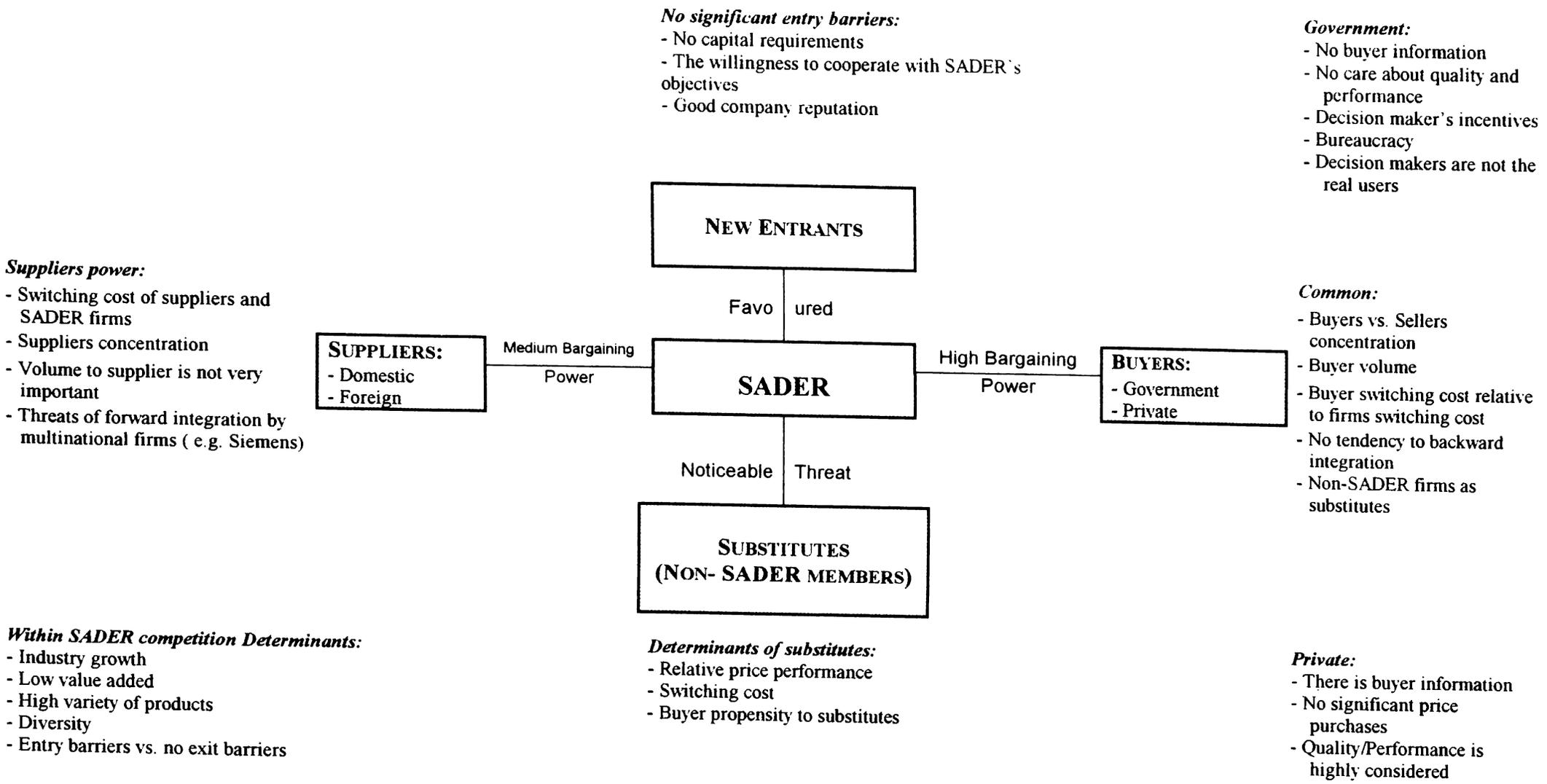


Figure 3.5 *Elements of SADER's Market Structure*



III.6. Search Conference

III.6.1. Search conference methodology

The search conference is a participatory planning method. The conference uses a systematic process in which *participants* design their future they want and strategies to achieve it. So, there are two very important tasks to do before the conference :

- Decide on who to choose as participants
- Get ready for the conference (see pre-search conference interviews section above)

Who was chosen as participants

- Stakeholders affected by or who affect the planning
- Stakeholders who have a special interest in probable outcomes
- Decision makers, implementers, responsible or relevant people in the private sector and in government
- Participants do not have to be experts but volunteers

Why Search Conference ?

When the environment the organization interacts with, brings uncertainty, unexpected changes, unintended consequences and complexity so the degree of interdependence among the stakeholders increases. The search conference is an excellent decision-making methodology, because it embodies those principles required to adapt to turbulent environments, which are flexibility, innovation/creativity, social responsibility, and participation/collaboration

Characteristics of Turbulent Environments	Active Adaptation Strategies
<ul style="list-style-type: none"> • Unexpected Changes • Uncertainty • Unintended Consequences • Complexity 	<ul style="list-style-type: none"> • Flexibility • Innovation/Creativity • Social Responsibility • Participation/Collaboration

Search Conference Event

In a search conference, 35-40 stakeholders, for two or three days, under "social island" conditions -i.e. away from daily disturbances of work or family-, design the system's most desired future and formulate creative strategies to achieve it.

"We require bold, radically new ways of thinking if we are to obtain the new solutions necessary to meet our problems. The new thinking we require can not result unless we first understand the deeper patterns or read maps of reality that lie beneath the old ways of thinking." *That was the reason for search conference being held in Antalya.*

"Change, like life itself, is difficult and often painful. There is no hope of attaining new ways unless there is full and honest acceptance of both the pain and the joy involved." *That's why SADER exists.*

SADER must be aware that getting hold of the difficulty (the problem) deep down what is hard. Because if the problem is grasped near the surface it simply remains the difficulty it was. It has to be pulled out by the roots and that involves our beginning to think about these things in a new way. The change is as decisive as, for

example, that from the alchemical to the chemical way of thinking is what is so hard to establish.

Once the new way of thinking has been established, the old problems vanish: indeed they become hard to recapture. For they go with our way of expressing ourselves and, if they clothe themselves in a new form of expression, the old problems are discarded along the old garment.

IV. STRATEGIES

The group at the search conference came with the following strategies related to their problems:

- The current insurance system that is limited (restricted) with the laws must be revised.
- The ones outside the current insurance policy program should be taken inside the system.
- Provide new resources (separation of providing services and financing), providing new resources, competition (institutions producing health services), quality services, subsidizing private insurance.
- The government should decrease its interference in providing health services via transferring the management of the hospitals it owns. It should take a role of defining and auditing the service standard.
- The government should tie a fair payment plan that will decrease the waste or resources and artificial inflation to rule (how can this be done?). In European Union's (EU's) Single Market a predefined payment plan is given; the buyer buys goods and services at low cost; fair purchasing.
- The instability in the sector and the legal existence of the seller organization is set to a legal ground via adjustments. This provides the auditing of the sellers, because the sellers that denote satisfy the conditions are not accepted to the organization, auto control is implemented.
- Specialized profession association should be authoritative, effective and responsible.

Responsibilities of profession associations:

- to determine and arrange the content of examination for specialists
- to arrange obligatory education programs and develop credit system after graduation
- to determine and audit the implementation standards of profession members
- Determination and application of ethical rules for businesses.

- Tenders should be transparent in all their stages.
- Administrative and technique manifestos should be prepared with the help of profession associations and consultancy agencies.
- Tenders should be opened in front of the bidding parties.
- Important decisions taken in tenders should be communicated to participators in written form.
- Obstacles related with production should be eliminated and production should be subsidized.
- Prices of the main inputs (energy, water, etc.,) should be at an average European level.
- Investment subsidies should be at least at EU standards.
- Legal documents should be prepared by taking the ideas of producers into account.
- Support for participation to famous international fairs should be facilitated.
- Institutional regulations should be independent administrative, financial, technical, implementable, and binding.
- Legal regulation should provide equity, uniformity, and maximum competition.
- Organizational regulations should be implemented for; buyers, sellers, and manufacturers.

IV.1. Negotiation

Many organizational problems have negotiating aspects. An organization composed of interdependent units each of which has interests of its own. Every important decision in organizations involves some degree of contention between the parties involved.

Negotiating is a combination of defending one's interests and doing justice to the interdependence. It is an alternative between cooperative and fighting behavior;

more than this, it is a discrete and separate social skill, quite distinct from other skills such as cooperating and fighting.

SADER's search conference was a collaborative attempt among the stakeholders. As a result of this collaboration, they achieved what for them was a real breakthrough. They were able to discuss the problems bothering all parties and tried formulating a method for handling problems.

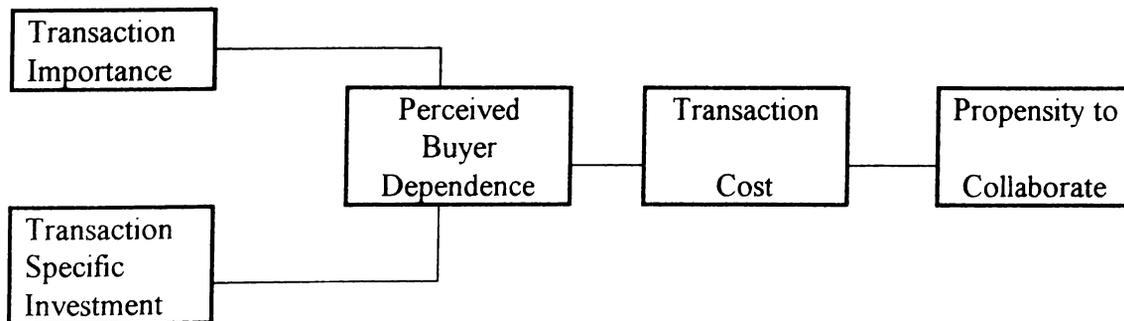
A collaborative exchange relationship is one in which trading parties develop a long-term cooperative effort and common orientation toward meeting their individual and mutual goals.

Gaining trust has emerged as an important element in sustaining successful industrial buyer-seller relationships.

Cooperation is appropriate among people sharing similar interests and goals. It is the obvious solution if the benefits for those involved depend directly on the extent to which they can pool their resources. Establishment of SADER seemed a perfect example of cooperation but in fact we later on found out that they had serious problems among themselves as well.

Parties can cause their relationship to grow stronger. To make the relationship become more beneficial to both parties is the major objective. To move any relationship between two parties upward towards what we call the associative level, where the companies jointly explore the future and will even sacrifice some degree of their own short term interest in order to help the other meet an even larger need. In that direction lies a happier future with ample rewards for all.

Figure 4.1 *The Determinants of Buyers' Propensity to Collaborate*



The model indicates that two transaction-related factors "Transaction Importance" and "Transaction-Specific Investments" affect "Transaction Costs" and dependence of the buyer on the seller. Heightened "Perceived Buyer Dependence" and increased "Transaction Costs" are the factors that shape the buyer's decision to engage in a more "Collaborative Trading Relationship" with the supplier.

Dependency arises directly from the exchange relationship and is directly proportional to the importance of the item of exchange (i.e., Transaction Importance) and is inversely related to the availability of alternative sources of supply. Where few alternatives exist and the resources are critical to the firm, a state of dependency is created. When this dependence is unidirectional and not mutual, the resulting asymmetry in the relationship encourages the more powerful (i.e., less dependent) party to behave opportunistically and attempt to exercise control over the more dependent party. A movement toward balance (i.e., recognized mutual dependence between exchange parties) can be enhanced by transaction-specific investments made by the supplier. For example, a supplier might customize a component, develop a specialized process, or tailor a delivery routine to meet the particular needs of a buyer.

While transaction importance increases buyer dependence on the supplier, specific investments made by suppliers can offset this dependence. When dependence is more balanced there is little opportunity for the exercise of "unjust power". To ensure symmetry buyers might require suppliers to invest in some form of specialized assets to signal commitment as a means to offset their perceived dependence. The need for balance (or symmetry) might take on added importance when buyers purchase an extremely critical component from a single supplier.

Transaction costs (i.e., the costs of negotiating, writing, monitoring, and enforcing contracts between trading parties) are the costs of running an economic system.

"Perceived Buyer Dependence" may result in higher "Transaction Costs". There are higher costs associated with unbalanced exchange relationships. Opportunism results from problems of achieving equity in an exchange relationship. To lessen its vulnerability (i.e., extreme dependence leading to a loss in decision autonomy) a buyer may:

1. Attempt to write very specific and complex contracts;
2. Closely monitor the exchange, and/or
3. Strictly enforce the terms and conditions of an existing contract.

These costs are incurred because of the risks posed by simple (or incomplete) contracts with powerful suppliers.

SADER's desire is to build a "middle range" situation in which suppliers and buyers agree to co-operate with one another to form a relationship that is long-term, co-operative, and guided by expectations of repeated transactions. This type of relationship that SADER is after, is referred to as relational contracting.

In SADER' s case Transaction Cost is high and Transaction Specific Investment is relatively low. It can be said that buyers are dependent on the supplier in the sense that the item of exchange is important. Also there exists very little or no opportunity for alternative sources of supply (no substitute).

Another dimension of this dependency is that because suppliers in this industry are mostly representatives, there is little possibility for the buyers to require suppliers to invest in specialized assets. The only investment made by suppliers in this specific case can be to tailor a delivery routine (or specific delivery schedule) which at the moment is also not provided and is a common problem in the industry.

When dealers commit a high proportion of their business to any one supplier, dependence on that supplier will be high. So is the case in SADER.

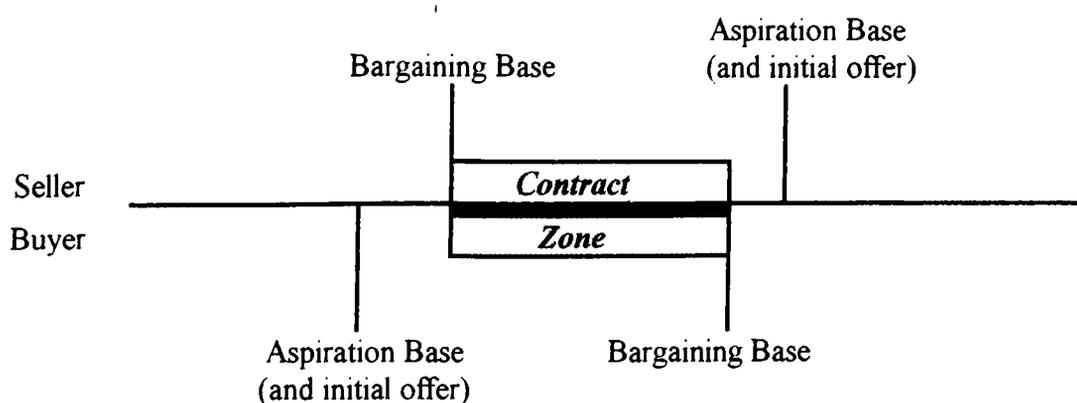
Market leaders are visible to customers, can offer a wide variety of products and services, and have a major impact on industry structure. Dealers representing these dominant suppliers have few equivalent alternatives, and thus, tend to be highly dependent. The top suppliers place strong constraints on which alternative suppliers their dealers can represent. Thus, the top suppliers are in a strong position for influencing dealer decisions.

Customers will typically buy from a single dealer but customers are ultimately dependent on the supplier, not the dealer. Customers may even switch to an alternative dealer offering the same product line. When the customer is large, the dealer's dependence on the customer means that the dealer must also depend on its primary source of supply to ensure that the needs of the important customer are met adequately.

There appears to be two definite limits to the kind of deal that seller might make. First, there is a lower limit below which seller will not sell the business at all. This is a seller's bargaining base. If seller gets an offer anywhere below this base, the deal is impossible. Second, there is a less obvious but important upper limit that seller feels will be the best possible price he/she can hope to get. This is seller's aspiration base. In most societies, people are inclined to put up an initial offer on or above the aspiration base with the expectation that they will have to move down. Suppose buyer is interested in the business. He, too, will have an aspiration base, in this case the lowest price that he thinks he will be able to pay for the business, and a bargaining base, in this case the highest price he is prepared to pay for the business.

If buyer follows the expected pattern, he will make an initial offer that is equal to or lower than his aspiration base. Let us suppose that his first offer is at aspiration base. If we put the buyer's and seller's aspiration and bargaining bases together then we'll get figure 4.2..

Figure 4.2 *Buyer and Seller's Aspiration and Bargaining Bases Combined*



Immediately, we can see several things from this figure. First, unless the two bargaining bases overlapped to form a contract zone, there can be no deal. If a deal is going to be a stuck, it will be somewhere in the contract zone. If seller cannot find some way of “locking” herself on to the offer and buyer can lock himself on to the

offer, then unless the seller has an alternative buyer, she will find that she has to make some kind of a concession or the negotiation will deadlock.

The reverse applies to buyer. Therefore, both parties have to find a lock; but the problem is that if they both do, then neither can move. The one who can not find a lock will find him-or herself being inexorably pulled to his or her bargaining base.

IV.2. Creating a Code of Conduct

An industry's code of conduct, if properly formulated and implemented, can assist every company, corporation or entity in resolving a dilemma. Without generally agreed-upon values and guidelines, an entity's choice of action, when confronting a business conduct or ethical issue, is based almost solely on the values of that company's management. A code of conduct is an excellent means of providing guidelines and procedures which an industry can utilize to guide the conduct of the industry and its firms in their strategic and daily business activities, and to deter improper activities.

For many businesses, code of conduct define the very essence of the industry, and give birth to desirable culture. Consequently, the way in which an industry creates its code reflects a process of an industry's self-probing and examining of its micro and macro environments to discover its mission. In fact, one of the major benefits of establishing a code of conduct is the process of discovery and harmonization of interests that occurs in the participation of different stakeholders in the industry in the formation of the code.

IV.3. Action Plan

In this part of the study the recommendations for implementing the negotiations tactics and the code of conduct will be discussed.

IV.3.1.Negotiating Tactics

The three basic negotiating tactics are as follows:

1. The bluff
2. The threat
3. The promise

The Promise

SADER gives some kind of promises; keeping in mind that a promise is required in a situation in which joint agreement is necessary for the good all participants, but if one participant does not cooperate and then cheats, then this participant gains an advantage over the others.

Basically, to create a successful promise the participants have to find ways of committing themselves to a course of action even when there is an incentive to cheat. Yet, the more everyone is persuaded that the others will not cheat, the greater the incentive for them to cheat. Using this reasoning about others, all targets rationalize that they may as well cheat, so everyone loses. For a promise to be effective, then, certain conditions must be met. First, it must be possible to monitor cheaters; that is to say, a system of checking and catching cheaters must be available. Second, it must be possible to punish cheaters, for, if they can not be punished, they will cheat anyway. That's why a code of conduct should be implemented along with the negotiation process in order to avoid any problems with the latter.

Negotiation Strategy

Since most business negotiations involve multiple issues and there are long delays between striking the deal and executing the deal, or the negotiations with the targets are repeated over time we focus primarily on win-win situations.

A successful negotiation is deliberately defined as one in which both parties are so satisfied with the agreement that this produces a minimum of problems with execution of the deal. Hence, a successful deal is the one that is smoothly executed.

Broadly, win-win strategy contains four steps:

- Intelligence gathering
- Preliminary discussions
- Negotiation planning
- The negotiation itself

IV.3.2. Methods of Enforcing a Code of Conduct

An industry's stakeholders create a code of conduct for a variety of reasons and can realize substantial benefits if the enforcement mechanism is effective, and the code itself is enforceable. In fact, it is probably worse to have a code which stakeholders know is unenforced or unenforceable, than to have no code at all.

There are many reasons to vigorously enforce a code. First, a firm's, a seller's, a buyer's, or any entity's own values may be considerably lofty than the standards required of them by the industry's code. Further, the entity acutely observe how uniformly and universally the industry's stakeholders enforce the code's standards. If one stakeholder "winks" at those standards, the other may "wink" back.

Certificate of Compliance

Industry associations often seek assurance by requiring firms, institutes, buyers, sellers, etc., to sign annual certificate that they are binding by the letter and spirit of the code. These industry associations reinforce an atmosphere of voluntary disclosure that makes it difficult for entities willing to violate that code to be undetected.

Furthermore, some industry associations supplement the certificate of voluntary disclosure with other policing mechanisms, but, even standing alone, disclosure

decreases conflicts of interest. Disclosure reduces the size of the code. Rather than placing absolute prohibitions on all or certain class of activities, associations using disclosure techniques create a broad policy position that welcomes discussion in the event of question of ethical or improper conduct arising. The compliance forms, usually certified annually, may also require the entities to disclose any code violations which the entity has witnessed, of which it has knowledge, or to which it has been a party. Furthermore, when the issues monitored are limited in number, the certification can be a powerful tool.

Obviously, this method could be implemented easily by a very strong or a powerful organization, or association. The best example is TUSIAD's (Turkish Industrialists and Businessmen Association) code of conduct implementation now days. The need for a powerful association is that, this association, in one way or another have some influence on the regulations and/or industry's business conduct. Thus, if SADER chooses this way and tries to implement its code similarly, it should take into consideration that it should have the power to do so. Another way, which is relatively easier, SADER members should establish strong and good relationships with other associations, politicians and political parties, and individuals whom have the power or the capability to persuade the stakeholders to sign and perform their business within the code's framework.

Other Means of Enforcement: Surveys, Questionnaires, and Audits

Besides written assurance of adherence by entities, associations utilize other techniques to enhance the enforcement of their codes of conduct: surveys, questionnaires, and audits to measure entities' compliance and attitudes regarding codes. While surveys may be expensive, there is much to gain in production and morale as the association learns a good deal about its members or the industry about its stakeholders. Other associations rely on periodic audits to improve compliance with each entity's code of conduct. Trained auditors bring impartiality, independence, and

considerable knowledge of the entity's business to the process. Auditors often already have considerable experience investigating and monitoring various systems within the association.

In SADER's case these methods have the probability of not doing it job. For example, SADER members did not spare 10 minutes of their precious time to fill an information questionnaire for their own association, thus, we believe that surveys or questionnaires might be not the appropriate method for the time being. On the other hand, SADER could ask for an outside assistance for the auditing and monitoring the implementation. This issue will be discussed in the recommendation section.

IV.4.Guidelines for Implementation

It is appropriate, before formulating final implementation procedure for the code, to review the following guidelines:

1. *Establishing a foundation for change*: constructing such a groundwork could very well include the following actions:
 - a) Every association or entity should identify and expose to the members or other individuals, problems with the current organization and its environment.
 - b) After exposing the difficulties, an association or organization should ask its members to participate in the imminent change.
 - c) To promote participation, the associations should provide the members or, stakeholders of the industry, with wards for cooperating in the drafting or revising of its code of conduct and the implementation process.

- d) An association should prepare its members, the industry- its stakeholders, for the upcoming implementation or significant revision of the code.
2. *Effectively managing the transition:*
- a) Industry association should communicate to stakeholders a clear image of the future and inform them of the reasoning behind developing the code.
 - b) Stakeholder, or any others responsible for implementing the code should develop a feedback mechanism to provide them with information regarding the effectiveness of the code implementation program.
3. *Involving task groups in implementation:* an effective action plan might include the following elements and principles;
- a) Developing a support to entities that possess the key political power within the sector.
 - b) Important stakeholders within the sector can create additional support for the code.
 - c) Where appropriate, the association should incorporate symbols, stories, and specific language within the code to create energy and enthusiasm in the industry's entities regarding the code's implementation.
 - d) The communication program should be incessant since continuity will reinforce not only the commitment of the stakeholders to the code, but will also ingrain the importance of the code in the sector's or industry's culture.
4. *Defining sanctions for improper conduct:* the association should carefully evaluate the disclosure of penalties for violating the code. Moreover, it should thoroughly consider its policy of informing the entities in the sector of the penalties associated with the violations of the code.

5. *Publicizing achievements*: the association should seek every opportunity to publicize its efforts regarding its code. However, publicity should be sought after the association has realized positive results from the code implementation program.

V. RECOMMENDATIONS

V.1. Accreditation

Whenever a company sells an equipment or provides a service to a public investor, it must be rated by one or more rating companies. The reverse is also true, that is to say, whenever a buyer purchases an equipment or a service that is to be rendered, it should have pool of sellers rated by an independent firm to make the best choice. This service, is mutually beneficial for all parties since it reduces the risk to a great extent, or at least both parties can measure the odds and the chances of the business. The buyers contact with the agency to evaluate and ratter the companies in terms of their product technology, research and development, efforts, upgradibility of its products, technical service capability, distribution, debt, profitability and coverage; firms business risk both historically and expected (this is crucial to decide on the survival of the company), specific features associated with the instruments being sold, etc.

The purchaser (buyer) may be also rated or evaluated through their trends in ratios of liquidity, debt, profitability, and coverage, in order to have an idea about the ease of payments of the company. Moreover, the purchaser may be evaluated upon its business risk and cash flow capability, these items are also crucial for the seller since they normally fear from not taking their money back from in terms of the products being sold or the services rendered, in other words, trustworthiness of the buyer.

Therefore, both parties should be graded with letters, or any other appropriate system, together with brief descriptions and ranked according their probability of default (e.g., the highest parties of both sides, whose default is felt to be negligible, are rated type A, and the others whose default risks are a bit higher are rated type B, and so forth).

If such an accreditation system can be established within SADER concerning all members of SADER as sellers, and all potential and current customers as buyers (which are laboratories, polyclinics, hospitals and government institutions), both parties, when making a buying/selling decision, may have a brief information about the other party to make a healthier decision.

V.2. Referent Organization

SADER is operating in a turbulent environment, in which large competing organizations, all acting independently, in many diversified directions, produce unanticipated, uncertain consequences in the overall environment which they share. High uncertainty evolving from this environment is reflected in a set of problems faced by SADER, that is unable to solve these problems. Therefore, an additional response capability is required to produce a system at the domain level. For SADER, the amount of conflict within the organization among members and among outsiders have been too great. SADER should be an operating agency and at the same time, should perform a regulatory function and to be concerned with development. Organizations, namely SADER, should be controlled by the stakeholders involved in its related environment. However, it should not be isolated. As stakeholders become more interconnected, a greater mutual causality can be observed. Such a structure comes into existence as the various stakeholders learn to accommodate their conflicting interests while securing their common ground. This structure have the following broad functions;

1. **Regulation:** entails setting the ground rules, determining the criteria for membership, maintaining the values from which goals and objectives are derived, undertaking conflict resolution and sanctioning deviating activities. For our case, ground rules and values, that objectives are derived, can be determined almost totally by the mission statement of SADER. Also, creation of a code of conduct should be done to serve for the later purpose. For

membership, it is sufficient to be a health care products and equipment seller. So far, SADER knows the issues creating conflicts, a search conference was conducted for the resolution of these conflicts, when conflicts are completely out of control.

2. Appreciation: SADER is trying to develop a shared image of a desirable future. They're achieving this by determining possible strategies and then want to implement them successfully.

What can be done to overcome the losses incurred due to the late payments of the buyer?

In Turkey, the losses, due to delayed payments are incurred because of a high inflationary environment. Also, the suppliers import the equipment and materials and in return pay foreign currencies. On the other hand, they receive the payments from the domestic buyers in TL (The exchange rate on the date of the sale). So when a payment is delayed for even 6 months the losses of the supplier are very high. In order to minimize the losses a dollar price index could be used. This is how the system works:

Let us say supplier A sold 40,000 TL worth of material to B. [At the time $1\$=40,000$ TL]. In the contract signed the buyer agrees to pay the price of the material according to a dollar price index. So, at the payment date the buyer pays the supplier the equivalent of \$1 in TL. In this way, the supplier is happy because he covered the losses he was incurred due to delayed payment.

What about collateral?

In the buyer-seller transactions there is always a chance that a buyer will default the payments he has to make to the seller. So, there should be some sort of guarantee that the seller can use as collateral.

In foreign transactions, usually a letter of credit is used which has a bank guarantee. In domestic transactions, some forms of collateral's are mortgages,

warranties, promissory notes. Mortgages and warranties are used in loan arrangements. A mortgage is an arrangement whereby a lender(mortgagee) lends money to a borrower(mortgagor), the loan being secured on the mortgagor's land.

In the case of SADER, the collateral to be used should be a promissory note in domestic transactions. A promissory note is a signed document, containing a written promise to undertake to pay a sum of money on or by a specified date. The document is legally binding. It is not possible to use a mortgage and warrantor because there is not a loan relationship. Because promissory notes are legally binding, in case of default a court case can easily be held.

V.3. Network

In this industry where so many brands and firms exist, buyer-seller transactions would be more efficient if a network system is established.

A network emerges in response to a complex, fast paced competitive environment that is making challenging demands on firms across the global economy. Today's environment requires the efficiencies provided by the specialized skills and assets. Moreover, firms need the competence to act fast in whatever they do.

When buyer seller transactions occur in an information defined arena, information is accessed and absorbed more easily and arranged and priced in different ways. Most importantly, the information about a product or service can be separated from the product or service itself.

The network system allows for lower costs and convenient products. In addition, because a greater number of potential buyers are present when the cars are sold, the sellers are able to command a premium over the price they would get at a

physical auction. Buyers are willing to pay more because they get a better selection with greater convenience.

In the network system brand royalty is established. Buyers and Sellers see a brand as a representation of customer perceived value that is provided by product-service as well as a communications program, pricing strategy, and channel activities related to that product-service.

V.3.1. Network Organization

One other alternative that SADER could do is form a network organization. Today's environment requires the efficiencies provided by the specialized skills and assets. Moreover, firms need the competence to act fast in whatever they do.

SADER is formed of small firms in order to develop collective clout in the market place. However, each firm remains a separate legal entity with its own work force, facilities, accounting systems, and so on. In this way, each firm can be a small leading edge specialist but still participate in large scale projects, like in package bids.

SADER member firms were seriously complaining about losing the package bids because they were not able to supply the required variety of equipment, simply because each firm is a specialist in a particular technology.

The main recommendation is that when they come together they can enter the bids as one firm and have a greater chance of winning the bid. SADER is at the leading edge of its area of expertise and therefore can provide, a prime candidate when other firms need a certain type of technological contribution. It is highly motivated to be a strong player in a such a network because customer needs are ultimately met by

the total network acting in concert. In general, by participating in networks, small firms are able to achieve the advantages of being a big body.

V.4. Change Process Implementation:

To start off with, SADER could set up task groups which are all to carry out a specific duties for the action plan set. Task groups would be formed of SADER members, as well as, voluntary stakeholders. SADER will only act as a regulating body for each group, without intervening.

One task group, could go out to the field/environment to find supporters for their mission which is to change the social trend as a result of the corruption. They could start with the stakeholders who have an idea about what is going on, and then switch to the ones who have no idea about the act. They should convince people that if we are all suffering, we can only change the situation together if we just collaborate.

A follow-up mechanism should be structured that, the task forces can get information on how the implementation process is proceeding. So, at the point where you think the action plan is about to fail you take immediate action and/or precautions.

Those people who might not have the later's intentions, or do not see clearly the improvement that change will bring, may be allowed to stay on the present situation until they become receptive to the change. It should be noted that multidimensional communication and participation are also important at this stage.

SADER has made a turnover point in its industry, bringing stakeholders together in a conference for an attempt to find solutions for the stakeholders were suffering about. However, the problems had common identities with other industries in Turkey as well. Social trends have leaded to corruptive acts within all sub sectors of each industry. Lately, many firms, small and big, have been complaining about

unethical issues that have been taking place. However, TUSIAD was the one who again brought up the issue to the public. As everybody knows, they declared a code of conduct, which was inviting businessmen to obey the rules of fair competition. They invited the world famous prosecutor, Di Pietro, for a conference on "Clean Hands Operations." The main idea he gave was "Good Governments can not destroy the evil thoughts/acts in one day, just as a Bad Government can not destroy the good thoughts/acts in one day. As long as you have democracy, you can lead the system for good intentions".

Many discussions were held on the idea of actions to be taken against those businessmen who did not compete fairly. TUSIAD members refused to sign the code of conduct but new members were obliged to sign it.

VI. SOCIAL ASPECTS OF THE CASE

Corruption is a public issue, it has an impact on large numbers of people and are matters of public debate; collective solutions, rather than individual or familial ones. Public issues are debated in public forums, and collective solutions are usually proposed. So, every condition that adversely affects some individuals is not necessarily an issue of great public concern toward which we should, or may translate into personal troubles in the lives of some people, but every personal trouble is not a public issue. The distinction between personal troubles and public issues makes us aware that social problems should be viewed in the broad context of their impact on society.

Whether or not people view something as a social problem depends on their definitions of what is involved. Thus, people who agree on many things in life can sharply disagree about a particular social problem. And, because people are exposed to different ideas, definitions, and information overtime, the position they take on any social problem may vary from one to another.

VI.1. Social Analysis

Social movements are comprised of relatively widespread efforts of various groups of people to bring about some change at the societal level in behavior, relationships or ideas. SADER, as having a regulatory role, wants to eliminate some unethical issues and wants to create a new approach to relations between buyer and seller. Social movements can be defined as ; *a purposive and collective attempt of a number of people to change individuals or societal institutions and structures.*

SADER as an association which brings medical supplies and equipment sellers and buyers together, want to change the society in which it operates. It wants to achieve this because of the existing disturbances with buyers. However, conducting

such a social change is often faced with great frustration. Although some types of change objective are perfectly achievable at the level of an individual organization, group of organizations or community, such efforts are either irrelevant or ineffective.

Societal level is selected as a target of change, because individual organization (SADER) can be transformed into desired state but the environment surrounding it, is not easily adapted to this change. If this was the case, performing the desired result is extremely difficult, however, bringing change throughout the society, will make the effort effective, stabilized and enduring. Moreover, the larger the target system, the greater is the possibility that SADER can find others who join in the change effort, namely, disturbed buyers, hospitals, government agencies as well as would-be members. Whereas such a larger system creates a problem which is maintaining control over the change effort. Within this perspective, following up the participating parties in that change effort should be highly beneficial to determine the strengths and weaknesses of that effort. Also, efforts are constantly being made to direct the process of change at national society level by;

Legislation:

In order to be a substantial, enduring change, legislation is necessary. But, according to some participants who have attended the search conference, there was no law-making body, and that will affect the efforts in an undesired way.

Administrative Action:

SADER can get the leader role in this process and tried to start a social change process by bringing all parties together.

National Organizations Proposing Certain Changes:

They called the organizations that really want to change the existing situation. Among those are The Ministry of Health, Social Security Fund, Pension Fund Institution, and Government hospitals.

Lobby Groups:

So far, such efforts can not be conducted but, from now on, if certain changes are desired to take place, they should start to conduct lobbying. Furthermore, they should obtain continuous feedback from involved parties. After determining the weak points, they should make lobby strongly to make necessary changes to eliminate these weaknesses.

In addition to all of the above, benefits of the desired state should be continuously communicated as an educational effort to all parties.

If we examine the various components of social movements; social movement itself constitutes a complex social web, found in a society.

Most movements have one or a few identifiable leaders (movement leaders) who perform a number of functions. Here, this body is SADER. It develops and carry out activities involving movement members such as a search conference and symbolize the movement both to its members and to various publics. SADER, aims to assist the development of an honest, fair and trustworthy relations between the members and its related community.

Second important component of movements is a number of formal organizations. SADER is the only one that was formed to achieve its objectives. Members can be integrated in it to support this movement.

Third component consists of movement adherents. They may be divided into two broad classes; Active adherents and less active adherents. Active ones are usually members of movement organization. They participate highly in the activities of the movement, representing the movement to third parties, organizing and engaging in various change strategies. Less active adherents may identify themselves with the movement, they make contributions and attend occasional meetings, but do not participate actively in the change inducing activities of the movement. For SADER, although a search conference was achieved and some certain strategies were determined, we have no idea whether some members behave as adherent or less adherent.

Another important component of social movements is the supporters. SADER before the search conference did set the base for stakeholders to understand that they are willing to have a negotiative and collaborative stand for the code of conduct against corruption. They, many times brought up the discussion in the search conference that they wanted, at least to take a step as a small group together, to change the ongoing bad social trend. Everybody in the conference promised and were willing to help to implement the set goals during the change process. Supporters are thus in a very important sense external to the movement. They represent the cutting edge of the movement. It has been recommended that SADER supporters to expand the change inducing system to the point where its resources are sufficient for the desired change in the target system.

VI.2. Revolutionary Change

VI.2.1. The Punctuated Equilibrium Paradigm

Gradualist paradigms imply that systems can " accept virtually any change, any time, as long as it is small enough, big changes result from the insensible accumulation

of small ones. In contrast, punctuated equilibrium suggests that, for most systems' histories, there are limits beyond which " *change is actively presented, rather than always potential but merely suppressed because no adoptive advantage would accrue.* " (Gould 1989: 124).

There are three main components of the punctuated equilibrium paradigm: deep structure, equilibrium periods, and revolutionary periods.

VI.2.2. Deep Structure

Systems with deep structure share two characteristics (1) they have differentiated parts, (2) the units that comprise them "work" they exchange resources with the environment in ways that maintain and are controlled by this differentiation. Deep structure is the set of fundamental "choices" a system has made of (1) the basic parts into which its units will be organized and (2) the basic activity patterns that will maintain its existence.

Different kinds of systems face different 'menus' of choices about how they will organize and run themselves. Identifying these sets of choices (which become the components of each systems deep structure) is an important part of theory building for specific punctuational models.

VI.2.3. Revolutionary Periods

The third major component of the punctuated equilibrium paradigm is the revolutionary period. The difference between the incremental changes of equilibrium periods and revolutionary changes is like the difference between changing the game of basketball by moving the hoops higher and changing it by taking hoops away. The first kind of change leaves the game's deep structure intact. The second dismantles it. The defunctive assertion in this paradigm is that systems do not shift from one kind of game to another, such transformations occur through wholesale upheaval.

The discussions in the previous two sections should help explain why incremental changes in a system's parts would not alter the whole. As long as the deep structure is intact, it generates a small inertia, first to prevent the system from generating alternatives outside its own boundaries, then to pull any deviations that do occur back into line. According to this logic, the deep structure must first be dismantled, leaving the system temporarily disorganized, in order for any fundamental changes to be accomplished. Next, a subset of the system's old pieces along with some new pieces, can be put back together in a new configuration, which operates according to a new set of rules.

Why should revolutions occur at all? The answers arise from the same features of deep structured systems that generate inertia: the mutual interdependence of their parts and action patterns and the fact that deep structures determine how systems obtain resources from the environment. These features open systems' deep structures to two basic sources of disruption: (1) internal changes that pull parts and actions of alignment with each other or the environment and (2) environmental changes that threaten the system's ability to obtain resources.

The internal and external shifts do not, by themselves, cause revolutionary change, they only create the need.

Punctuated equilibrium models suggest that failures may be extremely important in setting the stage for revolutionary change. During equilibrium periods, organizational systems may make incremental changes because members want to try something new. This is not the case for a change of revolutionary dimensions. System members do not begin revolutionary periods because they have a specific new idea to try, but because their equilibrium has been broken. Since they are no longer directed by

their old deep structures, and do not yet have future directions, system members experience uncertainty, often accompanied by powerful feelings.

The Health Care Product Manufacturers & Representatives sector belongs to a system that is dominated by corruption. The stakeholders in the system are all aware that the system is suffering. They all seem to be willing to make a change but the incremental changes seem not to be effective. For example, the organization of the search conference was to bring cooperation among the sector via establishing a common ground. But the aim of the search conference could not be achieved in the sense that the stakeholders had an individualistic approach in solving their problems. The Ministry of Health is in the process of enforcing a set of regulations which they believe is the way to solve the on going problems in the industry (*see Appendix III*). However, such regulations have to be mutually agreed upon, by all stakeholders of the sector. This set of regulations which are trying to be enforced without the agreement of the stakeholders is believed to increased the problems.

Although, the trend is towards decentralized organizations in the industry, The Ministry of Health seems to be trying to establish a centralized way of management. Especially their desire to control the prices is totally against the free market economy. SADER believes that these attempts will increase the corruption in the industry. Other problems that are expected to occur are:

1. The increase in oligopolistic structure of the market.
2. The retardation of the technology.
3. High bankruptcy rate among small firms.

Such changes show that incremental movements will not improve the system and not make it more effective. Hence, it is necessary to make radical change. First of all, The Ministry of Health should be structured in a way that minimizes its authority and/or role in the sector. Its existing role should be auditory rather than regulatory. Also,

The Ministry of Health should be run by people who are well educated and less authoritarian. Management should be true ability not authority. Turkish firms should get ready for the rules and regulations of the single market. Customs Union is a evolutionary process. However, it will have a revolutionary effect on The Health Care Product Manufacturers & Representatives sector because most firms have not yet took any precautions for the coming competitive environment (in terms of technology, sales, service, R&D, etc.). However, the main cause of the problem lies in the values of the society. The society's values after the eighty's has began to favor the materialism. Money was seen as the sole reason for power. This is why all means including corruption acts was tolerated by the society.

As long as these values remain in the system, no incremental change will take place. So, revolutionary steps have to be taken in order to change these values.

VII. FINDINGS OF THE CASE

VII.1. Learning Perspective

From a systems' viewpoint a cooperative undertaking is connected with the formation of a larger system. One fundamental challenge in measuring effectiveness of a system is reflected by the need to choose the appropriate level of analysis. Since it is particularly important to recognize the existence of multiple stakeholders holding divergent viewpoints which is the case for this particular study, it seems important that the measures for outcome include the various perspectives of the stakeholders. Having chosen the systems' perspectives essentially means that the level of analysis includes both the autonomous entity and the stakeholders involved.

A frequent contradiction is visible when describing cooperations. Having been exposed to the competitive paradigm in our modern industrial business environment, it immediately makes sense to analyze organizations in terms of their “right for existence”. This is primarily measured according to financial performance or survival, longevity, duration of a single unit. Yet in recent years the growing number of collaborative arrangements has taught the business environment another lesson. Collaborations and cooperations are based on a different paradigm. Not only competition resulting in obtaining the set financial results have to be our primary focus, but viewing the interaction between various partners as a system where each element profits from one another. The essential focus has to lie on evaluating the whole and the contribution of the elements to the whole. Thus, organizational learning may well be the primary goal for cooperations. As a result, the overall success of these firms may well be tied to the effectiveness of its cooperative rather than its competitive strategy.

Learning in this framework consists of knowledge and abilities which are created in exchange relations and which can not be separated from these relations. As a result learning within one organization is not the goal or outcome to be measured, but learning of the whole. SADER members attempted to exchange relations, that is why the search conference was held.

Another reoccurring problem is the fact that after the establishment of a separate entity, the original goals and expectations are not communicated to the managers of the new entity. The new system starts forming own goals independent of the original intentions . The transfer of knowledge about the establishment process does not take place and parental expectations are not made explicit. As a result there is a gap between the original expectations and actual outcome measures employed at a later stage. Since the gap between SADER members and all other stakeholders in the particular sector is huge. They aimed to minimize this gap, that why the search

conference was held. This is frequently a result of not being able to quantify qualitative measures.

In order for this gap to be minimized,

- (a) the criteria for evaluation have to be communicated to organizational members of the new entity and
- (b) the cooperation structure has to learn to transfer knowledge (organizational processes, skills) from one system to another, since it is this knowledge that has usually been one of the motives for forming a cooperation and
- (c) there is a need to develop measures for qualitative goals like learning.

Shifts in the environment have occurred. Stakeholders, that have attended to the search conference which were from the Ministry of Health and SSK (Social Security Institution) where all were appointed to different positions in different departments within their organization. None were there when it was time to collaborate with SADER members. SADER members were back at the point where they started. The "new" managers had no idea about the search conference and what was trying to be achieved.

The following model proposes a cycle of interorganizational learning which depending on the hindering factors may or may not materialize:

1. Organizations are constantly exposed to internal and external environmental demands and uncertainties which are the initial cause for change.
2. Due to insufficient internal, self-imposed change capacities of one organization, interorganizational cooperations are established.
3. Interorganizational cooperations are thus the result of learning of one organization and provide the input for learning (at all levels). As the cooperation progresses and environmental uncertainties increase, the interorganizational entity can no longer be managed within the existing structure and the cooperation is in question.

4. Depending on the future needs of the involved companies, the existing structure is dissolved, acquired, a new cooperation structure established or separated. As a result a new phase of learning is initiated.

However, in this study learning does not occur because the existing structure does not dissolve.

The bridge between individual learning is created through the following factors.

Communication

Transparency

Integration

There are mainly two gaps why learning does not exist in the domain level.

1.Expectations; not clear for all parties, stakeholders, although said to beEven confusion among SADER members.

2.Roles and responsibilities; they are not clearly defined.

Necessary conditions for inter organizational learning does not exist in their environment.

We have the term alignment, "when a group of people function as a whole."

Chaos exists when there is a low level of alignment among individuals in a team.

Jazz musicians know about alignment. There is a phrase in jazz, "being in the groove," that suggests the state when an ensemble "plays as one." This simply means that minimum or no learning takes place. For the SADER case, chaos exists in the environment. You can not even make close assumptions, what action should be or will be taken even in the near future.

VII.2. Cultural and Societal Perspective

Building learning organizations, we are discovering, requires basic shifts in how we think and interact. The changes go beyond individual corporate cultures, or even the culture of Western management; they penetrate to the bedrock assumptions and habits of our culture as a whole.

Organizations are microcosms of the larger society. Thus, at the heart of any serious effort to alter how organizations operate lies a concern with addressing the basic dysfunctions of our larger culture. We believe that there are three fundamental problems with our current paradigm: fragmentation, competition, and reactivity. These problems are deeply rooted. They are not just mistakes we keep repeating—they spring directly from our past successes.

At the root of the issue we are likely to find communication failures and cultural misunderstandings that prevent the parties from framing the problem in a common way; and thus make it impossible to deal with the problem constructively.

Clearly, we need ways of improving our thought processes, especially in groups where the solution depends on people reaching at least a common formulation of the problem.

Because of the increasing rate of change in the environment, organizations face an increasing need for rapid learning. The growth of technological complexity in all functions, organizational structures and designs are moving toward knowledge-based, distributed information forms.

Why do we have so many problems understanding each other? Basically the answer is that we are all culturally over trained not only to think in terms of certain consensually validated categories but also to withhold information that would in any way threaten the current “social order”.

A person gains true moral wisdom not so much by looking at those cases where lying is unconscionable, but where there seems to be *good reasons to lie*. This is the first step where corruption starts at the individual level.

Given the human tendency to think of oneself as a good person, and given most managers' generally sound intentions to be good, unethical results can easily be overlooked or rationalized away. In one study, for example, managers described unacceptable accounting procedures as "professional compromises," but they did not feel that such compromises were indicative of a personal lapse of integrity.

One ethical type of dilemma that most failures of managerial conscience fall into is the **acute rationalization**. It describes ethical failures where *a manager knows what is right and wrong but fails to do the right thing*. The following questions are particularly useful in recalling these values:

Is it right?

Is it fair?

Am I hurting anyone?

Could I disclose this to the public or respected mentor?

Would I tell my child to do this?

Does it pass the stink test?

There is not a manager or human being alive who has not offered one of the following excuses for failure to act with integrity:

"Nobody's getting hurt."

"Everybody does it. That's just the way things are done."

"Everybody understands what's really going on."

"I can't afford to do this anyway."

"Nobody cares about this anyway."

"That's not really an ethical issue."

Nobody asks the questions:

Who might get hurt beside ourselves?

Am I perpetuating a dishonest and fraudulent relationship?

If the most desirable consequences cannot be determined, have I ensured that the procedural issues of decision making and implementation are ethical?

In an extremely influential essay Huntington argue that economic development, far from promoting social stability and a gradual emergence of democracy, would rather undermine the public order as social inequalities were exacerbated a newly aroused aspiration disappointed. Increased social mobilization would lead to mounting pressure on the state to meet mass demand: demands for jobs, hospital, schools, roads, electricity and the like. But since governmental structures are inflexible or insufficiently institutionalized most of theses demands cannot be accommodated. Political instability is the inevitable outcome. Political modernization (that is mobilization) leads to political decay (Huntington, 1968)

Usually underdeveloped countries (UDC's) presidents amass large fortunes whilst in office. The president, his relatives and friends will take a percentage of all government contracts. Land belonging to the state is sold off to powerful allies or to those who can offer large bribes. Land needed for governmental installations is bought at grossly inflated prices in order that large sums can be creamed off by a powerful group of insiders. Vast amounts of money are borrowed by the privileged from state banks and never repaid.

With such inhibited plundering at the top it is not surprising that the public sector is permeated by graft down to its lowest levels. Petty bureaucrats extort payments for doing what they are supposed to do anyway; customs officials deliberately damage or steal the goods of those who have refused to hand over the appropriate bribe.

Corruption on this scale paralyses all development efforts, no matter how sincere, and ultimately undermines the social order. Policy decisions are taken with a view to the decisions are taken with a view to the interest of the few rather than the needs of society. A public administration saturated by venality cannot respond to direction, so that even the reforms of enlightened politicians are subverted in execution. Worst of all public confidence in the state is virtually non-existent- so that all government decisions are met with hostility and suspicion. Accordingly such societies hover on the edge of ungovernability.

Self enrichment had sometimes been achieved by transferring public funds into private accounts. More usually the practice was for politicians from those at the top to municipal councilors to rake off ten percent from all government contracts or to extract payment for publicly administered resources such as trading licenses, the allocation of market stalls, taxi licenses and the like.

Virtually everyone who has written on corruption has had to concede that there are no reliable indications of the level of corruption, therefore statements about its incidence are necessarily impressionistic, heavily influenced by its public profile in a given country or to the extent to which it is discussed in the press and also a topic of everyday conversation. This, however raises the problem that more open societies, societies where there is a free press and political opposition is tolerated, may appear to be more corrupt than more authoritarian regimes.

Why underdeveloped countries might be more prone to the abuse of public office? What factors, if any inherent in their social and economic structures might make corruption more likely? Generally speaking explanations of corruption in UDC's have tended to be socio-cultural in character. That is to say the alleged high incidence of corruption is understood mainly in terms of survival of traditional patterns of behavior - families, communalism, clientalism, friendship, gift-giving and the like -into the era of modern politics and administration. The bureaucrat is forced to bend the rules over the issue of import licenses, scholarships, the assessment of tax liability and so forth in order to accommodate kinsmen, co-religionists or friends. If he does not then he not only loses face but, even more threatening, he runs the risk of losing the right to expect succor from peers should he need it in the future. In an overall situation of scarcity and insecurity, of chronic inflation and sudden shortages, such obligation are not to be taken lightly.

From the perspective of the client the practice of gift-giving is long established in traditional cultures, especially when dealing with authority. When approaching his village head, sheikh or priest with a request to perform some official function, the peasant opened up the transaction with the offer of a bowl of fruit, a basket of eggs or chicken and so on (Mc Mullan, 1961). Inevitably the practice has survived into the era of modern bureaucracy and is a convenient way of softening what is often an anonymous and therefore to the peasant, threatening exchange.

So why should the public servant not accept the "present" even if it now takes the more sordid form of cash. And if acceptance shades over into extortion then this is understandable, for the lowly-paid official, unlike his counterpart in the West, labors under the burdensome demands of kin and friends, demand to feed, clothe, house and pay school and college fees for 'brothers' and 'sisters'. Even the not so meagerly paid top administrators, commissioners and permanent secretaries are slaves to the cult of

the “big man” and so must display their achievements ostentatiously as well as meet the escalating demands of large followings on their generosity.

VIII. CONCLUSION

SADER has made a turnover point in its industry, bringing stakeholders together in a conference for an attempt to find solutions for the stakeholders were suffering about. However, the problems had common identities with other industries in Turkey as well.

Social trends have led to corruptive acts within all sub sectors of each industry. Lately, many firms, small and big, have been complaining about unethical issues that have been taking place. However, TUSIAD was the one who again brought up the issue to the public. As everybody knows, they declared a code of conduct, which was inviting businessmen to obey the rules of fair competition. They invited the world famous prosecutor, Di Pietro, for a conference on "Clean Hands Operations." The main idea he gave was "Good Governments can not destroy the evil thoughts/acts in one day, just as a Bad Government can not destroy the good thoughts/acts in one day. As long as you have democracy, you can lead the system for good intentions".

SADER before the search conference did set the base for stakeholders to understand that they are willing to have a negotiative and collaborative stand for the code of conduct against corruption. They, many times brought up the discussion in the search conference that they wanted, at least to take a step as a small group together, to change the ongoing bad social trend. Everybody in the conference promised and were willing to help to implement the set goals during the change process. Supporters are thus in a very important sense external to the movement. They represent the cutting edge of the movement. It has been recommended that SADER supporters to expand the change inducing system to the point where its resources are sufficient for the desired change in the target system.

The Health Care Product Manufacturers & Representatives sector belongs to a system that is dominated by corruption. The stakeholders in the system are all aware that the system is suffering. They all seem to be willing to make a change but the incremental changes seem not to be effective. For example, the organization of the search conference was to bring cooperation among the sector via establishing a common ground. But the aim of the search conference could not be achieved in the sense that the stakeholders had an individualistic approach in solving their problems. The Ministry of Health is in the process of enforcing a set of regulations which they believe is the way to solve the on going problems in the industry (*see Appendix III*). However, such regulations have to be mutually agreed upon, by all stakeholders of the sector. This set of regulations which are trying to be enforced without the agreement of the stakeholders is believed to increased the problems.

Overall, the application of the action research methodology has been unsuccessful in terms of, that no particular change took place about the on going problem. However, at the level of joint diagnosis of the problem, it could be notified that, it was achieved to a certain level. Although, during the joint action planning stage where objectives and goals were set, the methodology fails, because the stakeholders simply do not share common goals and have different expectations due to the problem. Since the methodology fails at this level, it is possible to take action as a further step, to implement change.

The study shows that, in such a corruptive environment, where simply no code of conduct could be achieved, it is impossible to implement further changes related to the particular sector as well as similar sectors in the industry. This shows how hard it is to achieve a change on the societal level in terms of corruptive acts.

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APPENDICES

Appendix I Evolution of the health industry - the medical equipment & materials sector

1920	The regulation of the health sector by act number three of the state.
1948	The formation of social security act.
1954	All the hospitals were tied to the health ministry.
1957	Premature baby was save for the first time.
1960-1970	Turkish Standards Institution was founded.
1960-1970	The ministry of industry was established
1960	Turkey entered the first planned development period.
1963	The beginning period of entering the European Community.
1965	The establishment of National Productivity Institution.
1968	The production of injectors in Turkey for the first time and the prohibition of imports.
1968	The first heart surgery.
1968	M.E.T.U. era.
1969	Beginning of service marketing.
1969	Firms started employing engineers.
1970's	Bone marrow transplantation was on the world's agenda.
1973	The Turkish Health and Treatment foundation was established (Ahmet Ors Vakfi).
1974	The computerized tomography device was brought to Turkey.
1974	The chance of surviving from blood cancer average was below 20%.
1974	Petas was established.
1976	Duzen laboratory was founded.
1978	Quality control process in laboratories started.
1980	The first bone marrow transplantation was performed.
1980	Nuve Ltd. started production.
1980 After	Turkey's credibility increased.
1980-1990	The Bio-medical department was established.
1981	Repair and maintenance department was established.
1982	During B. Ulusu's time specialization commission was established.
1982	YOK was established.
1982	The first medical exhibition (promotion and marketing).
1982	Ozal period, incentives increased, usage of health service started to increase.

1982-1983	Bio-medical
1983	The customs tariff changed
1983	Tender act number 2886 was revised.
1983-1984	A technical maintenance group was established under the State Planning Organization.
1984	The use of disposable material was set as obligatory.
1984	Medical materials dealer was founded in each district.
1984	Survival from blood cancer rate became below 80%.
1984 After	Prescriptions system started.
1985	Bosphorus University Biomedical Department was established.
1985	Leasing act came.
1986	\$20m worth of purchase on credit.
1986	State public enterprises started to exchange devices among each other.
1986-1987	The purchase of analyze devices for the labs of the Social Security Institution.
1987	Turkish agency co. was established. (Africa and third world countries). Problematic turn-key contracts.
1987	Hospitals revised themselves due to the establishment of the first private hospital in Turkey (international hospital).
1988	Technical tender preparation department was established in the ministry of defense.
1988	New technology era.
1988	Medical devices sub-commission prepared a detailed report about the sector.
1989	For the first time \$1.8m worth of equipment were exported from Turkey with world bank credit.
1990	Death rate of new born babies became below 100/1000.
1990's	Biologic treatment methods usage started.
1990	First MR device was purchased.
1993	SADER was founded.
1994	April 5th decisions.
1994	Baskent University established a medical technology post graduate school.
1994	The health ministry purchased 25 tomography devices.
1994	Necessity of permission from the treasury to purchase medical equipment.
1994-1995	Restriction of import of artificial kidney equipment.

- 1994-1995 Central regulation role was transferred to ministry of health's treatment center.
- 1995 The health ministry employed a medical representative.
- 1995 Medical equipment standard and calibration center was established in the Turkish standards institute.
- 1995 Turkey gave Azerbaijan \$10m credit but there was no clause in the agreement that equipment has to be purchased from Turkey.
- 1995 For the first time a minister invited a representative from SADER for a formal tour abroad.
- 1996 Hacettepe foundation will open a hospital in Sudan.

Appendix II Perceptual Mapping

Outcomes, from interviews held with thirty stakeholders in the sector, related to the current problems were grouped in regard of the following a perception map.

SECTOR

- No need for capital.
- No base.
- No experience necessity.
- Dispersed market.
- Rapid technological change.
- Unfair competitive environment.

SELLERS

- Firms can not distinguish buyers.
- Firms are not able to present (introduce) themselves.
- Deficiency in after-sale services.
- Sellers are not well-qualified.
- Sales people (representatives) have limited authority.

PROFESSION

- There is no common communication system.
- There is a need for accreditation system.
- Profession problem.
- There are a variety of equipment and brands.

INDUSTRY

- There is no free competition.
- There are no entry barriers.
- Lack of inventory system.
- Incentive problem.
- Turkey is a medical equipment graveyard.
- Discrimination between Turkish and foreign companies.
- Payment problem due to long payment terms (periods).
- Tender system is malfunctioning, long procedures, impractical.
- There is no audit committees in hospitals.
- Lack of price standards.
- Lack of medical human resources and imbalanced geographic distribution.
- Bureaucracy.

- Lack of coordination, centralization.
- Rapid and expensive technological change.
- Foreign dependency, there is no Turkish medical industry.
- There is no government commission to deal with macro issues.
- Lack of bio-medical engineering.

ETHICS

- Ethical problems exist.
- Bribery starts with the identification of needs.
- Political pressure effects the decisions.
- The employee turnover rate is high in the senior levels of government.
- Parties (buyers and sellers) do not trust each other.
- Lack of ethical social conduct.

Administration

- Management problems.(Manager Doctors do not have the necessary requirements, education to fulfill the managerial positions.)
- Senior doctors are not aware of the latest technological developments.
- There is no special college or university that trains managers for health sector.
- They are not doing cost effectiveness analysis.
- Lack of norms and standards in respect of buyers.

ÜÇÜNCÜ BÖLÜM
RUHSATLANDIRMA

Madde 6-Tıbbi cihaz ve malzeme ithal edeceklerin, bir dilekçe ile bakanlığa başvurumaları gerekir. Dilekçeye,

- a. İthal gerçekleştirecek firmanın , imalatçı firmadan alacağı mümessillik belgesi,
 - b. Firmanın ticareti tescil belgesi,
 - c. Tıbbi cihaz ve malzemeye ait uluslararası kabul görmüş standard belgesi.
 - d. Tıbbi cihaz ve malzemenin orijin ülkedeki serbest satış sertifikası (ilgili otoritelerce ve Türkiye temsilciliği tarafından onaylanmış olacak),
 - e. Tıbbi cihaz ve malzemenin orijin ülkedeki satış fiyatı ile ihrac fiyatı (ilgili otoritelerce ve Türkiye temsilciliği tarafından onaylanmış olacak),
 - f. İthal gerçekleştirilecek firmanın teknik yapısını gösterir belge,
 - g. İthal gerçekleştirecek firmayla orijin firmanın referans listeleri,
 - h. CE uygunluk belgesi,
 - ı. Orijin firmadan alınacak kalite güvencesi sistemi belgesi,
 - I. Tıbbi cihaz ve malzemeye ilişkin maliyet analizi ve fiyat talep belgesi,
 - j. Tıbbi cihaz ve malzemeye ilişkin teknik dosya,
- eklenir.

İlgili başvuru, Kurul tarafından belirlenen yöntem çerçevesinde değerlendirilerek uygun görülen tıbbi cihaz ve ruhsatname verilir.Ruhsatname verilen ürünün satış fiyatı bakanlıkça uygun görüldüğünde satışına izin verilir.

İlgili tıbbi cihaz ve malzemenin tasarım ve niteliklerinde herhangi bir değişiklik olmadıkça verilen ruhsatname geçerliliğini korur.

ÜRETİM BAŞVURUSU VE DEĞERLENDİRME

Madde 7- Tıbbi cihaz ve malzeme üretimi yapacakların bir dilekçe ile Bakanlığa başvurumaları gerekir.Dilekçeye,

- a. Üretim yapılacak mekanın planı(1/100 ölçekli),
- b. Üretim yapılacak mekanın teknik uygunluğunun ilgili meslek odasına kayıtlı mimar veya mühendis tarafından teyid edildiğini gösterir belge,
- c. Üretimde kullanılacak araç- gereç listesi,
- d. Üretimde çalışacak personelin öğrenim ve mesleki deneyimini gösterir belgeler,
- e. Üretimle ilgili alınmış TSE ve TSEK belgeleri,
- f. Üretimi yapılacak tıbbi cihaz ve malzemenin , özgün ürün olmadığı durumlarda, Türkiyede üretilmesi için orijin firma tarafından verilen muvafakatname,

- g. Üretimi yapılacak tıbbi cihaz ve malzemenin üretim tekniklerini içeren teknik dosya ,
- h. Tıbbi cihaz ve malzemenin teknik analizi, eklenir.

İlgili başvuru, kurul tarafından belirlenen yöntem çerçevesinde değerlendirilerek uygun görülen ürüne ön üretim izni verilir. Örnek üretim yapıldıktan sonra Bakanlıkça belirlenen referans merkezleri tarafından ilgili ürün incelenir. Teknik dosyasına uygun görülen ürüne ruhsatname verilir. referans merkezleri tarafından yapılan incelemelerin masrafları Kurul un belirleyeceği koşullar çerçevesinde ilgili firma tarafından karşılanır. Ruhsatname, verilen ürünlerin satış fiyatlarının Bakanlıkça uygun görülmesi durumunda, ilgili ürünün satışına izin verilir.

Ruhsatname verilen tıbbi cihaz ve malzemenin tasarım ve niteliklerinde herhangi bir değişiklik olmadıkça ruhsatname geçerliliğini korur.

DÖRDÜNCÜ BÖLÜM

TEKNİK SERVİS, KALİBRASYON, SİGORTA, İZLEME

Madde 8- Tıbbi cihaz ve malzeme üreten ve ithal eden firmalar ilgili cihaz ve malzemenin her türlü arızasına müdahale edebilecek teknik araç-gereç ve personele sahip olmak zorundadır. Bu durum firma tarafından belgelendirilecektir. Teknik servis desteği olmayan firmalar tıbbi cihaz üretim ve ithali için başvuruda bulunamazlar.

Teknik servis verecek firmaların ilgili servisleri Kurul tarafından belirlenen koşullar çerçevesinde değerlendirilerek uygun görülenlerine çalışma izni verilir.