A STUDY ON BUSINESS RE-ENGINEERING IN THE UNDERSECRETARIAT FOR TREASURY

MBA THESIS

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A STUDY ON BUSINESS RE-ENGINEERING
IN THE UNDERSECRETARIAT FOR TREASURY

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MBA THESIS EXAMINATION REPORT

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ABSTRACT

The answer to the proposition "Does Business Re-engineering Have a Chance at the Treasury?" would be a conditional yes. Any program for the complete organization would necessitate a government level back-up. Alternatively, re-engineering could be implemented on a departmental (or general directorate) basis, in which case operational level buy-in needs to be ensured by Treasury senior management and process redesign should involve top to middle management participation both in regard of knowledge level and to minimize resistance to change.

Certain re-engineering principles could be applicable the areas where Treasury needs improvement, especially strategic management to switch from reactive performance to proactive functioning. Achieving this requires a coordinated and well planned transition over a long term towards a totally new organization that truly generates policies rather than being involved with daily fire-fighting. The coordination should include government support and rule based relationships with other agencies. Once a clear and formal objective statement is defined, then concepts of process re-engineering could be employed to attain the objectives, provided that effects are simulated a priori.

Key Words: Business Process Re-engineering; Information Technology Institutional Development
ÖZET

“Değişim Mühendisliğinin Hazine’de Şansı Olabilir mi” önermesinin cevabı, şartlı bir evet olacaktır. Tüm kurumu kapsayacak herhangi bir programın devlet düzeyinde desteklenmesi gerekecektir. Alternatif olarak değişim mühendisliği birim (veya genel müdürlük) bazında da uygulanabilir ki bu durumda işlevsel düzeylerde değişimin kabul edilmesi üst yönetim tarafından sağlanmalı ve süreçlerin yeniden tasarımı, hem bilgi hem de değişime karşı direncin asgariye indirilmesi açısından üst ve orta yönetimi de içermelidir.

Değişim mühendisliğinin belirli prensipleri Hazine’de iyileştirilmesi gereken alanlarında özellikle reaktif işleyen bir kurum olmaktan çıkıp proaktif işleve geçmesi için stratejik yönetim konusunda uygulanabilir. Bu konuma ulaşılması için de günlük yangınlarla uğraşmak yerine gerçekten politikalar üreten bir kurum olma yolunda iyi planlanıp koordine edilmiş ve uzun bir zaman dilimine yayılmış bir geçiş süreci gereklidir. Bu koordinasyon devlet düzeyinde destek ve diğer kurumlarla ilişkilerin bellli kurallar bazında yürütülmesini içermelidir. Açık ve resmi bir hedef tanımlanıp koordinasyonunun全媒体den denenmiş olması şartı ile değişim mühendisliği uygulanabilir.

Anahtar Kelimeler: Değişim Mühendisliği
                  Enformasyon Teknolojisi
                  Kurumsal Gelişme
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A. INTRODUCTION

A.1 Introduction

The Undersecretariat for Treasury plays a critical role in government policy making. The economic and financial problems facing the country make Treasury's role in policy formulation and implementation even more critical. In a highly complex and rapidly changing economic environment Treasury will need to assist the Government in achieving long term growth principally through reduction of public sector deficit, price stabilization, and other coordinated strategies. This implies a necessary coordination with other economic agencies as well as a sound institutional structure with the required flexibility at one hand, and firmly established rules and processes, on the other hand.

Additionally, with the power it holds, the Treasury has the potential to exert a stronger role relative to other agencies and constitute a role model. Apart from the Treasury, several government agencies share the responsibilities of formulating monetary, fiscal, trade policies and macro-economic planning such as High Planning Council, Money and Credit Council, Ministry of Finance, State Planning Commission and the Central Bank, and often the implementing agencies themselves. The Government decisions are then based on the inputs from these agents. In this environment, where no single agency has the clear mandate to formulate policy in any given area, it was considered to be a clear opportunity existing for the Undersecretariat to assume a leadership role, provided that it builds on strengths of its capability in conducting analytical research*, advanced

* According to the Management and Training Consultancy Report of Price Waterhouse, this development should be sought in the areas of planning framework, organization, institutional training and information systems facilities
(computing) resources etc. and that, institutional development is achieved to a certain level.

Once within the body of the Ministry of Finance, the Treasury had been detached from there in 1983 to be re-organized, together with the General Directorate of Foreign Trade of the Ministry of Trade, as an independent Undersecretariat reporting directly to the Prime Ministry. Thereby, the most powerful units in economic management and monitoring have been integrated into a single organization.

A.2 Scope of the Study

The second major change in the history of the Undersecretariat for Treasury after the detachment from the Ministry of Finance in 1983 has been the split of the formerly two integrated Undersecretariats for Treasury and Foreign Trade in late 1994. This break into two rather independent Undersecretariats has not been without a purpose and was definitely accompanied by some problems. The proposition is: Now that it is already under disturbance, could Treasury have considered business re-engineering, in other words initiate the process of change, at least building on the current studies and projects being developed, or does the management regard the recent developments as "more than satisfying" initiatives? Do the recent developments, within the scope of Treasury Information/Data Management Projects, represent re-engineering efforts, or are they just automation of current processes? That is to say, is Business Process Re-engineering relevant for Treasury, could or should it be applied? If tried, could it be managed?

This study, therefore attempts to evaluate this major change in this most important macro-economic agent in Turkey, the Prime Ministry, Undersecretariat for Treasury (UT), in terms of the business process re-engineering concepts, as initially proposed by Hammer and Champy.
The study covers:

Organizational Change: Does Business Re-engineering have a chance in the Undersecretariat for Treasury? within the following structure:

Part 1, covering
- Historical Background
- Goals / Objectives targeted by the split and the re-engineering attempts
- Constraints on institutional development and/or re-engineering

Part 2 covering
- Literature survey on business process re-engineering, change management and institutional development

Part 3 covering
- Recent developments in the UT

Part 4 covering
- Conclusion: Within factors contributing/preventing achievement
- Interview Results

Although the study is mainly concentrating on the Treasury, it covers some common aspects applicable for public administrations in general, with a limited assumption that the organizational culture does not vary considerably among different organizations (the change process should nevertheless involve commitment to change, including behavioral and cultural change). Plus, the Treasury is a highly open public organization and may be in a position to initiate change in all the public sector in Turkey.

A.3 Coverage

The reason for Treasury being the subject of this study is three-fold: First stems from familiarity with the organization that would contribute especially in terms of access to
primary data, and secondly, because the change process has been initiated relatively recently and is ongoing. Thirdly, because UT is a relatively "go-ahead" organization and plays a role model for other Turkish government institutions.

Experience so far shows that this big split had visible effects not in terms of more efficient business process, but rather in the form of separated resources. Departments with a former matrix structure, like the Data Processing Center that served for both Undersecretaries, spent a considerable time in reorganizing, and ended up in long discussions over the physical distribution of equipment, office space and other facilities, as well as the human resources. These have not been resolved yet and resulted in many duplication of data, processes, roles and functions.

The institutional development and process improvement activities have started in the Treasury before the split mostly in separate but interrelated projects and studies (whose effects and sustainability of results are unclear). After the split, most of these projects are observed to remain with the Treasury. This study will also view these developments in light of BPR, with consideration to the fact that much of the work undertaken may have to be duplicated or reproduced for the Undersecretariat for Foreign Trade in the (possibly very near) future.

A.4 Methodology

The study includes a literature survey, mostly to enable the judgment of results that could be expected. The material surveyed include, among publications on change management and business re-engineering (e.g. Hammer & Champy), the in-house surveys/reports (e.g. Price-Waterhouse studies in Treasury) already available and draw conclusions on the rate of implementation of the recommendations in the above mentioned consultancy work.
Further data collection within the study made use of interviews in the organization, at both the senior (General Directorate) level for implications on outcomes and lower levels for implications on the operational level. Both international and local consultants' opinions are also utilized. The general questions directed to the interviewees are provided at the final part of the study, however, interviews were allowed to extend beyond the questions, in an effort to capture personal opinions. The information collected were partly supportive of the arguments presented and partly against, opening up a broad area of discussion.

The second route to this study follows that of Petrozzo and Stepper as laid in “Successful Re-engineering”. Their four phases of re-engineering are discussed from the Treasury perspective, being the

- Discovery: What should be done where and by whom
- Hunt and Gather: Exploration of the problem(s) in selected process(es)
- Innovate and Build: Rethinking of the process(es) in view of available tools
- Reorganize, Retrain, Retool: Transition or integration of solutions across pieces of process
CHAPTER I

1.1 Background

The role of Treasury in macro-economic management has undergone significant change during the 1980s. Prior to 1983 Treasury had been attached to the Ministry of Finance. In 1983 along with some other departments detached from the Ministry of Trade, it has been re-structured into an independent organization of the Undersecretariat for Treasury and Foreign Trade.

Looking back, after 1960 the General Secretariat of Treasury of the Ministry of Finance had become responsible for foreign economic affairs and finance, while until then (1923-1960) it had been the responsibility of Ministry of Foreign Affairs. Indeed, this was a more logical approach, like in the United States system, where apart from the exceptional cases like embargoes, all relations should have been carried through the Ministry of Foreign Affairs. However, Turkish foreign affairs bureaucrats lacked the economic background despite that of other countries, while it was necessary for some services, for example foreign exchange policy decisions, to be provided by specialists*.

The period between 1965 - 1970 has been the years during which Turkish economy was best managed (Tuna Iskir). Then, Turgut Özal was the Undersecretary for Planning, while Kemal Cantürk and Naim Talu were the General Secretary for Treasury and the Minister of Finance, respectively. Their personal relations were indeed fulfilling the "staff meetings" function, providing a general view of the economy from the top.

* Quoted from Iskir, Tuna, The Undersecretary Consultant. More information on development of bureaucracy in Turkey as well as the current status in the Turkish civil services will be available in "Parçalı Formalılar", by early 1996. In his work under publication, Iskir describes the features of institutional culture in Turkey, in addition to developments in the personnel policies of the Government.
Therefore, when Özal was in power, it was this major intention to continue the previous level of communication and cooperation, having a structure that would tie these three functions together and provide a real power over the economy. Thus, by the Decree-Law 188 put into effect as of December 13, 1983, this new institution was established "the Undersecretariat of Treasury and Foreign Trade", reporting directly to the Prime Minister, Kaya Eldem being the undersecretary. This new organization would ensure a dynamic structure which was not available within the existing ministries then, and pull together the powerful bodies required to implement the reforms proposed by Özal regime.

Although in 1971 a Ministry had been established for Foreign Economic Relations, it was abolished later, and its functions were transferred to the Treasury. So, between 1961 - 1983 these functions were already at the Treasury even before the unification.

The Turkish Law defined the main functions of the Undersecretariat as policy formulation and implementation in a) treasury management; b) foreign trade policy formulation and implementation; c) State Owned/Economic Enterprise (SOE-SEE) portfolio management; d) financial sector regulation; e) international capital flows; and f) incentive policy. Additionally, the Undersecretariat had the general responsibility of supporting and coordinating the economic policy design and implementation (Law Decree 188, 1983, and subsequent amendments).

1.2 Separation of Treasury and Foreign Trade

Ever since the unification, however, the Foreign Trade had never been comfortable; first resisted the unification and afterwards insisted on separation. Indeed, these two organizations with different cultures and backgrounds have never been unified in a real sense, especially within the context of a common goal. Actually, the unification had been a mere detachment of the General Secretariat of Treasury and the Organization for
International Economic Cooperation from the Ministry of Finance and the General Secretariat of Foreign Trade from the Ministry of Foreign Trade.

To many, this relationship resembled that of a drum and stick: Ministry of Finance based Foreign Trade collects the money and gives Treasury to spend and/or allocate to the spending agents. The Foreign Traders failed to truly assess the privileges and power enabled by the unification (image, authority-representation abroad, resources and respect) and felt under the patronage of Treasury.

The formally spread explanation beneath the split had been the work overload and excessive responsibility assigned to a single body. Especially after the inclusion of certain departments from the State Planning Organization (incentives and foreign capital) too many functions were attached to a single organization, which was also unique - treasury and foreign trade functions are separate in other countries. The interviews on the other hand bring out a set of other discussions and opinions. All may be relevant or not, since it could not be grounded by a formal, political level objective statement for the decision.

What ever the driving forces behind separation had been, it is evident that the original goal pursued during the unification did not exist any more, which had been the basic factor (the glue) keeping the parts together. Typically, whether private or public, the business, organizations and supporting systems (that is, the business structure) are originally designed for purposes that no longer exist. Many consider this to be a major reason to undergo re-engineering, and this could have (indeed has) been the same for Treasury and Foreign Trade also. While the original founding purpose no longer exists, under their new organizations with autonomy being one of the goals, the functions and processes may require to be revisited for each side.

This study was intended to examine this split from the Treasury point of view and within the context and concepts surrounding business process re-engineering, however, it is clear that the intention behind the split has never been a re-engineering effort nor quality
improvement. Yet, it could have been rational for the Treasury to work through this "process" of change and re-think its functions. Contrary to this expectation, even a preliminary study on effects or expectations on the separation does not exist, not to mention any re-engineering efforts. Although the split has been on the agenda for years, both sides were caught very unprepared in that, before the Law 4059 was finally in force, previous Decree that constituted the legal basis for existence was pulled back, and neither organizations did exist on paper for weeks!

1.3 Functions and Organizational Structure After Separation

The separation was put in effect by the Law No. 4059 dated December 20, 1994 that lays down the organizational structures of both parties as well as their functions. Currently the two Undersecretariats share the same physical space, and so far the only difference seems to be a turbulent period during when both parties were trying to separate (or fighting over) the resources. After the split, all the units or functions were actually returned to their original place except for few exceptions. Consequences are somewhat supporting the previously felt patronage, or dominance of Treasury: Treasury clearly received a majority of the resources—including more qualified and a larger number of human resources. But, a physical separation will eventually come, and relative efficiency in both organizations after the split will become more visible.

The future of the now two independent organizations would be speculative: Foreign Trade could eventually be re-attached to the Ministry of Trade, considering its functions. However, it would probably be not feasible for Treasury to be included within Ministry of

* The tendency in Treasury to assume that any status quo will continue is observed here again. Before, while it was known that there would be a separation, no preparation was made in advance. Similarly now, some studies (e.g. cost effectiveness study for database management systems) propose such solutions, like use of a common mainframe for both Undersecretary databases, that imply physical separation will not occur at all.
Finance organization again. Treasury can not be managed any more under a classical style and now they are too big functionally to be squeezed into the Ministry. It could well be possible that Treasury is eventually re-organized as a Ministry itself.

It is observed that the split did not have major impact on most of the functions or departments, particularly at the operational level. Those departments that have been detached from the Ministry of Trade are now under the organization of the Undersecretariat for Foreign Trade and the remaining, along with some functions transferred in from the State Planning Organization are reorganized as the Undersecretariat for Treasury. Below are the central organizations before and after the split.

As it can be seen from these tables, the split, not mirrored exactly but created various duplications. The tasks under the previous structure were carried under a single organization and almost exactly in the same manner. As admitted by F. Emil, Director General, Economic Research, this reorganization not only created new positions for many senior level bureaucrats, numerous recruitment were required to establish the previous structure in the other half of the organization, particularly for those units with dual functions for both sides (e.g. personnel department, data processing, public relations).

(Tables 1 through 3 show only the central structures, not the provincial distribution. See the relative laws and Hazine Müsteşarlığı, İşlevleri Görevleri ve Teşkilat Yapısı. 1995, EKA for detailed provincial and abroad organizations)
### Table 1. Before .....  

| Central Organization of the Undersecretariat of Treasury and Foreign Trade |
|---|---|---|---|
| **Undersecretary** | **Deputy Undersecretaries** | **Main Service Units** | **Consultancy and Audit Units** | **Supporting Units** |
| | Deputy Undersecretary | 4. General Directorate of Exports | 4. Treasury Auditors | |
| | Deputy Undersecretary | 5. General Directorate of Imports | | |
| | Deputy Undersecretary | 6. General Directorate of Agreements | | |
| | Deputy Undersecretary | 7. General Directorate of Incentives and Implementations | | |
| | Deputy Undersecretary | 8. General Directorate of Foreign Capital | | |
| | Deputy Undersecretary | 9. General Directorate of Free Zones | | |
| | Deputy Undersecretary | 10. General Directorate of Economic Research and Assessment | | |
| | Deputy Undersecretary | 11. General Directorate of European Community Affairs | | |
| | Deputy Undersecretary | 12. General Directorate of Standardization in Foreign Trade | | |

Figure 1

### Table 2. After ..... Central Organization of the Undersecretariat of Treasury

<table>
<thead>
<tr>
<th>Undersecretary</th>
<th>Deputy Undersecretaries</th>
<th>Main Service Units</th>
<th>Consultancy and Audit Units</th>
<th>Supporting Units</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>5. General Directorate of Insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>6. General Directorate of Foreign Capital</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>7. General Directorate of Economic Research</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Table 3. Central Organization of the Undersecretariat of Foreign Trade

<table>
<thead>
<tr>
<th>Undersecretary</th>
<th>Deputy Undersecretaries</th>
<th>Main Service Units</th>
<th>Consultancy and Audit Units</th>
<th>Supporting Units</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>5. General Directorate of Economic Research and Assessment</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>6. General Directorate of European Community Affairs</td>
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<td></td>
<td></td>
<td>7. General Directorate of Standardization in Foreign Trade</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Law No 4059: Official Paper Dated 20 December 1994, No. 22147
Functional Allocation of Units
Undersecretariat For Treasury

Figure 2.

Source: Hazine Müsteşarılığı, İşlevleri, Görevleri ve Teşkilat Yapıısı, 1995. EKA.
Chapter 1

The preceding tables 1 through 3 and figures 1 and 2 reinforce the generally expressed opinion that the concern beneath the split was not efficiency, nor process improvement. It has been a political decision perhaps to disperse the power concentration, to create more higher level positions, foreign traders’ political moves, or another.

1.4 Institutional Development

1.4.1 Constraints

According to Israel\(^\text{19}\), the degree of institutional effectiveness or performance was considered the dependent variable and there were certain independent or explanatory variables:

- degree of specificity of the agency’s activities
- degree of competition faced by the agency
- degree of geographical dispersion of its activities
- degree of political support or commitment
- degree of overt political intervention
- presence of outstanding managers
- effectiveness in the application of management techniques
- degree of success of institutional development program
- deficit (or absence of revenue) or surplus
- salary levels lower than average

And, experience from World Bank projects shows that planning and coordination have been the most difficult areas to achieve an acceptable level of performance.
Apart from the exogenous factors that are not controllable anyway, we see that Treasury, in the above definition, is very much exposed to risk of failure in any institutional development attempts. First of all, there is a lack of competition and therefore no clear benchmarks that they may judge their own performance against (even the other public agencies face some degree of competition towards the government resources.) Other nations’ treasury institutions would not be very realistic as one can always claim national and policy differentials to be nice excuses for not being able to perform as, say the US Treasury Department, although an argument could be “Treasury functions are treasury functions all over the world and there are little differences in definition” (N. Doğan, Specialist, General Directorate of Economic Research). Additionally, benchmarking could be considered at least for sub-processes even at the private sector. Training Department Head A. Aslan simplifies it: “If private banks can manage smooth flow of information over a geographically dispersed branching organization, why can not we?” The underlying problem is more than a benchmarking issue, but the measurement of performance which actually is the tie that links objectives to operations. Treasury should develop more concrete performance appraisal and indicators for success, both on a department, project, or unit basis, as well as on a personal basis. That would also contribute to human resources management as a major motivating tool.

Treasury activities are very much concentrated geographically, when the major processes are concerned. The provincial and overseas organizations do not affect much the main functions (accountancies distributed provincially are intermediating functions in collecting and spending money, but decision making and policy formulation is centralized). However, there is the problem of inter-agency coordination that has to be going at a very intensive level. This again is tied closely with political intervention, which is as expected, highly frequent for Treasury. Therefore, it can be said that Treasury is rather independent and flexible in its own organization in terms of geographical dispersion, however, it is the
coordination and cooperation requirement that limit Treasury independence severely. For example, Treasury is not in a position to determine interest rates on domestic borrowing in full independence from monetary policies pursued by the Central Bank. Accordingly, at least in the short to medium term, Treasury should coordinate its policies with that of Central Bank although the two have agreed to eventually minimize the cooperation to end up with an independent Treasury and independent Central Bank, where Treasury, even though policies may be conflicting, manages cash and debt irrespective of Central Bank interest rates defined solely with regard to monetary stability. Again, the budgeting activities require full coordination with Ministry of Finance and the State Planning Organization. Therefore, any improvement or re-engineering for such inter-agency processes require a much broader approach and is not necessarily under the full discretion of Treasury only.

Similarly, the political support is very trivial in Turkey with frequent policy and power changes. Usually, Treasury senior management is very much dependent on the ruling party and conflicting benefits result in high turnover. This unstable environment severely prevents long term strategic programming and consequent short to medium term implementation plans to be developed concretely to achieve these objectives. In the best case, the long term objectives have to be revised frequently. The uncertainty and instability also hinders the establishment of a sustainable institutional mind and memory. Lack of government level direction and strategic planning inside lead to Treasury’s function to be daily monitoring and fire-fighting rather than organized efforts directed towards an established objective (Baha Karabudak).

The above arguments are also valid in terms of management techniques and personnel policies. No government institution is given the autonomy to develop own personnel policies (although Treasury has relatively been privileged in being able to employ some of its personnel on special terms, granted only to those institutions reporting
directly to the Prime Ministry, like the State Planning Organization (SPO). Currently, this privileged position is being questioned at the Parliament and probably will be abolished). It is also discussed later that within all the training programs carried (and proposed) there are no topics related to management techniques and leadership issues. This remains to be a weakness for Treasury.

In addition to the above, there are some shortcomings in institutional development common to developing countries

1. the field has developed along two main lines: at one extreme the private sector - industrial - financial line of management science and business administration, and at the other the formalistic, legalistic line of public administration. The simple and sometimes misguided application of the private sector model (including TQM and BPR) to the far more difficult world of public sector institutions has often been a failure;

2. disciplines focused on effectiveness at national, regional etc. levels but not to organize clients/constituents. There is a gap between institutions and constituents (beneficiaries, target groups, participants) that has to be bridged;

3. tendency to apply quantitative techniques where behavioral models would have been more appropriate (e.g. statistical models used excessively in personnel management - number trained rather than effects of training)

4. disciplines concentrated on establishing structures that were expected to remain unchanged - static for long periods. Makes difficult to introduce institutional change;

5. management science regards politics as an exogenous factor - generally adequate for private sector but not necessarily for public organizations
In light of the above discussions, it could be judged that there are many barriers for institutional development in the Treasury. However, this could be regarded as a signal for the need towards a fundamental change, keeping in mind that Treasury is not autonomous, and may be able to achieve a relatively larger degree of independence only in the long term. Treasury can be the pioneer, however, commitment and political support from other government agencies is a must if a real improvement is targeted not only in Treasury, but at the public sector in general. The bureaucratic inertia has to be defeated and the starting point has to be the government policies, providing support including the financial aspects.

1.4.2 Alternative Explanations

Apart from the above, Israel defines two alternative factors enhancing or hindering development in public administrations, (considered in isolation from the operating environment as in the preceding discussion) that are specificity and competition.

Specificity is defined as: The degree to which it is possible to specify the objectives of a particular activity, the methods for achieving them, and the ways of controlling achievement; plus, how activity affects the participating persons; i.e. these define the degree to which actors can be rewarded for their performance on the basis of results. The degree of specificity has precise effects on the actors and as a result on the performance of an institution.

The hypotheses are:

1. For certain activities, especially for those related to high technology and finance, it is possible to specify with great precision the long term objectives and the method in achieving them, for controlling that achievement, and, as a consequence, for rewarding the participants.
2. Effects of performance in highly specific activities are more intense and immediate and more directly attributable to the people involved.

3. The intensity of an effect and how quickly it will influence the actors are essential elements in determining institutional performance because knowledge of results and clear identification and allocation of rewards and punishments are powerful motivational forces.

4. The degree of specificity of an activity has an important influence on how the participants -management and operational level employees- will define the nature and scope of their jobs and specific assignments. It will induce specific behavior of individuals which, when aggregated for the group that composes an organization, will determine specific patterns of organizational performance and behavior.

5. The specificity, by allowing fewer degrees of freedom, imposes more precise managerial and organizational arrangements.

Accordingly, it could be judged easily that job specificity increases by hierarchy in the Treasury. The senior level jobs are relatively more specific, more directly related to objectives and outcomes are still relatively more attributable to individual performances. At the lower, operational levels, people are performing a specific part of a task, without usually knowing why they do it, or what objective it serves for. This is further fostered by the non-communicated strategies and general objectives down to lower levels.

At the lower levels, functions are very fragmented. Accordingly, as supported by the interviewees, job satisfaction increases at the higher levels and a long term career is sought, while at the operational level the motivation is the future prospects on training abroad and foreign postings. All these are reflected also as the inability to develop an institutional memory or learning process. Processes mostly dependent on specific personnel are subject to destructive discontinuity if for example, that person leaves for two
years for education abroad. This institutional skills development is not carried within a plan (training is used as a rewarding system, even an economist dealing with current economic conjuncture reports can well be sent to seminar in Paris on environmental protection - N. Doğan) and efforts are not accordingly directed to a common goal. Therefore, long term objectives (even if introduced) can not be sustainable and institutional development can not be achieved.

The concept of competition could be extended to include other pressures that can have effects on institutional performance, similar to that of economic competition. Economic competition, the most tangible form, is the existence of external competition faced by an organization from similar organizations that attempt to provide similar services or goods. In this context, Treasury does not face a competition. Other agencies are also involved in economic policy making but this does not represent a competitive environment. It is more like a cooperation, or complementary activities.

The second type of external pressure is that coming from clients, beneficiaries etc. This would be the public for Treasury as well as directly involved agencies like the State Owned Enterprises (SOE's). However, since Treasury ends up to be in a monopolistic position, these external forces are weak in putting a pressure on Treasury to improve its processes, thus the services offered. Third would be (again) external pressures derived from the political establishment. In this case, we would be talking about the Prime Ministry itself, and the cabinet. The final form of competition would be the internal competition among different people or units within the organization exerting pressure towards improvement. The above mentioned first three forms are external to Treasury and largely beyond its control, however the final internal competition could be a powerful tool.

The enclosed interviews imply a degree of competition between general directorates, just where Treasury needs interaction and cooperation. It should be a policy for Treasury
to push that competition to lower levels in a controlled manner to improve individual and
team performance but achieve integration and coordination at the senior levels.

1.4.3 Treasury Specific Constraints

Apart from the externally imposed rigidity in certain managerial or administrative
issues like in the areas of recruitment (Treasury can only recruit graduates of certain
departments like management, economics, public relations etc. for units like public finance.
Even those with an MBA but with a different background may not take the admission test),
or performance appraisal and rewarding (salaries and fringes are defined by the civil
servants code, Treasury's maneuvers to circumvent these are limited), there are other
constraints on fast and sustainable improvement programs. These constraints could also
be viewed as opportunities to improve institutional performance. Once such constraints or
limitations are assessed and their sources/ causes identified, solutions could then be
sought; may that be via re-engineering processes or redressing management.

Absence of a mission statement. The laws and relative amendments define Treasury
responsibilities but there is no clear statement defining its mission, goals and objectives to
contribute improving Turkish economy. Current documentation do not extend beyond
operational directives that the units are bound to pursue by legislation. The organization
documents are insufficient (only recently job descriptions are developed). Lack of a clear
set of objectives and strategic planning may be also due to overlapping responsibilities of
agencies involved in the macro-economic management. An overall strategy would provide
a direction in structuring the organization and efficient planning for infrastructure as well,
i.e. institutional development via training and skills formation. B. Karabudak, an external
consultant to Treasury, defines a "strategic group" for this purpose that should stop daily
fire-fighting and introduce strategic planning that should be backed with government level
political guiding.
Ambiguous roles and responsibilities. They are not clear as they are not linked to an overall strategy. Present documentation on the general directorates and lower levels, though not extending to the operational level, represent a collection of current (and desired) activities. It is difficult to see a coordinated approach, to quote Ferhat Emil "It has been derived by asking people what they were doing. Therefore it includes overlaps and excludes some functions that are performed somehow." In many cases titles and functions do not match. Another widely accepted issue is the mismatch of responsibilities with authority. As a general working culture, people are avoiding responsibility (see the interview with Hasenritter, Part D as an 'external opinion') and authority or power lies at those positions quite distant to the operations. People are not (mostly do not want to be either) responsible for their work nor have any discretion. It has been mentioned in a workshop* that "if there is something (a decision) to be signed, they will establish a committee to share the responsibility".

Lack of analytical skills. The analytical skills development is not within a plan aligned with institutional long term objectives. Accordingly, an institutional learning is not possible as many activities are carried through personal capacity and skills transfer is at the minimum. Many functions are person-dependent and if and when that person leaves (for educational purposes or not) continuity is damaged in activities.

Customarily the managers have omitted to conduct serious analytical studies in decision making. This was principally due to unavailability of information systems and high rate of political (imposed) decisions. The domestic borrowing, for example, (and thus, debt and cash management) are heavily affected by political intervention. This is so established that the field for legal basis in its database reveal that many are through decrees or cabinet decisions, say to consolidate SOE debt (that is, Treasury issues bonds

* Treasury Cash and Debt Management Workshop - Participants from Treasury, Central Bank and ISE, October 2-4, 1995, Antalya.
to assume their debt upon a decree). These interventions make it difficult for Treasury to implement long term plans on various areas and require frequent revisions of mid-term plans and targets. It also implies the need for a better tracking of the economic conjuncture and develop close estimations on the basis of certain indicators, which in turn require a well designed and managed set of databases plus sophisticated analytical tools to be utilized by specialists.

*Lack of managerial skills.* It is also interesting to note that among the training programs (recently introduced) managerial and leadership skills development are not included. Professional training is available in many areas, however the inter-personal and managerial skills should also be addressed through an improved personal development program. Such an effort should not be limited to certain levels but extend to different seniority and positions, in general guided by the immediate superior (assuming that person have already developed some basic skills with this approach. This would imply a spread from top to down).

*Maintaining skills inventory.* As mentioned above, management has little freedom in changing policies or procedures to staffing decisions, rewards and incentives that could have influenced performance. Apart from the government policy restrictions there is a lack of motivational tools therefore a high potential for turnover. The basic motivating factor, especially at the operational level is the prestige of working with such a powerful institution, but more importantly, the education possibilities abroad and positions offered abroad. At the senior levels, it is more of a career, but generally Treasury offers a good step-stone for transfer to higher-paid public sector. The limited nature of professional advancement (based on seniority, not performance) also increased the potential for turnovers. Additionally, Treasury currently is closed to highly qualified human sources and limit the fresh blood as laid down in the establishment law.
Senior dynamics! As far as the process re-engineering or change management is concerned, continuity of top management support is very important. Particularly important in sustainable improvement is the time dimension. A truly total commitment would involve management and staff at all levels as well as other relevant positions in the central government. There is a major risk in a program supported only by Treasury Undersecretary or Deputies. If they leave or lose power the whole program would collapse. (External consultant and Program Manager, K. Hasenritter: "I have experienced four Undersecretaries in the last three years"). Therefore, full (institutional) commitment should be established organization-wide in a short time, irrespective of the time horizon of the program, enabling autonomy in this aspect. Treasury priorities should be clarified in regard of a change program and communicated properly.
2. CHAPTER II

2.1 Business Re-engineering

It was mentioned that while already going under a re-organization process, the Treasury could have made use of this distraction and initiate change in the organization, perhaps in the form of a business re-engineering, at least for certain departments. It was also proposed that if ever, this should have been more than a quality improvement, even though it requires efforts to be coordinated at a larger scale crossing Treasury borders. However, in order to be able to assess the relevance of Business Process Re-engineering (BPR) for Treasury and decide whether such an effort is required at all, one might need to re-consider the concepts and steps as well as the need for re-engineering.

Re-engineering is defined as the concurrent redesign of processes, organizations and their supporting information systems to achieve radical improvement in time, cost, quality, and customer’s regard for the company’s products and services. Petrozzo and Stepper emphasize the interplay between processes and structures (human and technical) and the need to design all aspects concurrently in the above definition, while Hammer and Champy viewed time, cost, quality and speed the major performance indicators to be improved and emphasized the concepts of “process orientation, and change being fundamental, dramatic and radical”.

BPR is a conscious reshaping of an organization behind a new corporate vision, the marketplace and the customer. Using a holistic, fresh start approach, BPR reviews all business activities from ‘end to end’. That is, business re-engineering involves a broad approach to business, requiring the whole process is traced i.e. the beginning and end of a
business (function) to be defined as the process and viewed as a whole. It involves vertical and horizontal integration and cross-functional processes. Taking an airline as an example: Upon a telephone call one can book a flight, learn the itinerary, take off and landing times (i.e. duration of the process) and the cost of the flight, initiate payment by credit card numbers, have a seat by the window, and even find out what food will be served. This is a cross-functional activity and as far as the passenger is concerned, this the whole process itself, irrespective of whatever more is happening within the airline company. (To him, the rest are not value adding functions) -In this context, definition of the business processes for the Treasury would be generally limited by the departments and/or directorates preferably with as little further fragmentation as possible. That is, rather than the action of borrowing through various means, the process would be defined at least as public finance management, that starts from determining the borrowing requirements and ends in meeting the requirement and feeding in data for the next cycle.

The above definition may result in a re-definition of processes, organizational structures and technology to allow the organization to streamline, delete or change the way in which work is done. BPR's ultimate objective is to yield sustainable improvements in profitability, productivity, service and quality while maximizing the potential of the individual and the team.

Accordingly, BPR is a move away from Adam Smith's task oriented jobs to organizing the business around processes. Adam Smith's Humpty Dumpty school of organization breaks processes into small tasks then uses all the King's horses to re-build them into a whole. The horses (mostly the ever increasing number of middle managers) are indeed the glues to keep parts together. In this manner, it is argued that a major change (coming or already around) can not be seen or reacted to as management is isolated from specialized operations as well as customers/ clients and that, in most organizations there is no one responsible for the whole process. Bureaucracy as well is
not to be blamed since it is again the glue while the problems usually arise from the process being fragmented unnaturally.

BPR starts everything from scratch, leaves aside old procedures and rules, and targets booms not some percentage of improvement or repair. It is process oriented, not task, job, people or structure oriented and emphasizes value adding functions, enabling shifting resources to core processes (and winning products). There will be no use to redesign those processes that do not add value, one should just quit doing it. It starts, according to Hammer & Champy, by asking "why do we do what we are doing and why do we do it the way we do?" Another approach by Petrozzo & Stepper start re-engineering by asking "what is to be changed and by whom?" Later, we will discuss the steps or phases proposed by Petrozzo and Stepper in more detail.

The main message in all definitions is the fresh start approach and the sustainability of improvement. It would not help if an organization went under re-engineering only to fail in the change management and suffer a reversion to the formal/original (or worse) state. However, it is not a cure-all for all organizational ills.

Another main feature of re-engineering is the use of information technology as the main catalyst. However, it is to be noted that information technology should not be used to automate existing processes in which case it would merely be painting the rusty iron. Technology should not be used only to improve efficiency in old (ineffective?) processes but its destructive power should be used in creating new methods of work, removing those rules that limit the way businesses are done. The prospects offered by IT should be utilized to redesign processes and eliminate certain duplications, add speed and introduce change into the process on a much larger basis.
In rethinking the business processes Hammer and Champy define certain characteristics of BPR²:

- Aggregation/integration of tasks - cross functionality
- Decentralized decision making (horizontal and vertical aggregation): organizational structure matches the process
- Natural sequence of steps to be followed within processes instead of straight line flow of tasks, shorter chains of activity
- Sharper accountability and greater control
- End of standardization: many versions to be considered for a process
- Reduced control and audit as not value adding functions, minimized approval, reduced intra-company links, removed redundancy
- Less complex and higher quality information systems
- Advantages of both decentralized and centralized structures, etc.

As re-engineering proceeds and change is taking place, jobs become multi-dimensional, decision making goes decentralized, "assembly line" type of work dies, and there will be no reason to maintain a functional/operational organization. As far as Treasury is concerned, if re-engineering was applied, the organization would probably have the main Directorates as major business processes (for example, public finance).

The new business world requires change to happen many areas. Basically, business units change into process teams from functional units; jobs change into multidimensional works from simple tasks; job independence increases and change management removes those tasks that do not add value - that have been brought in to compensate for disintegration; staff roles change from controlled to authorized posts; delegation of power imposes unavoidable self management and minimized interference of supervision; focus in performance appraisal changes from activity to results, thereby higher qualifications are being sought in recruitment. Consequently, as values, then jobs
and processes change, organization structure changes putting pressure on management for change.

Hammer & Champy describe this with the business system diamond made up of i) values and beliefs, ii) business processes, iii) jobs and organization structure and iv) management and measurement system, the key being the links among these.

To summarize, business re-engineering is rethinking and redesigning the way business is done and it focuses on rebuilding enterprises, not downsizing; empowering people not replacing them. The objective is assumed to be changing behaviors, paradigms, organizational dynamics and culture to achieve enduring changes in work processes and business results.

On the other hand, the concepts beneath BPR are mostly relevant to private sector organizations and may not be necessarily valid for public institutions. We defined above the concepts of specificity and competition (or lack of them) as important factors for institutional development. Such that, the higher the specificity - the degree to which objectives are clearly defined and activities are traced both towards the objective and in terms of results backwards to the person- and the more there are substitutes for competition, the easier will be to improve institutional performance. Although this sounds contradictory, it is not against e.g. the flexibility and decentralized structures recommended by BPR.
2.2 Relevance to Undersecretariat for Treasury

2.2.1 Why Change?

With the experience, successes, emerging techniques and failures over the years, BPR is no longer a child, however, little has been said and done in the government administrations/public sector.

This study would not end up saying "O.K. Treasury, now go and re-engineer yourself", but definitely some concepts can help increasing effectiveness dramatically. In as much as the BPR may not perfectly fit Treasury, there are certain clues to look for why at least its and bits should change (or disappear completely), here and there. Hammer and Champy give the following as examples to justify a need to go through big change:

⇒ Excessive information exchange, excessive data and duplicate data entry. This shows that a process has been fragmented unnaturally. Excessive communication is a way to cope with unnatural borders. That activity or process should be re-integrated, if necessary cross-functionally.

⇒ Contingency inventories. The "in-case" stocks are methods devised to provide flexibility in face of uncertainty. The process or activity should be integrated with its clients/users.

⇒ Excessive control and checkpoints (mid-management that does not add value) over the value adding processes. This reflects the insecurity and lack of confidence due to fragmentation. Reasons giving way to checkpoints should be eliminated leading to a flatter organization and larger span of control.

⇒ Repetition and duplication. As the process is fragmented and becomes too long, effects of feedback erode within this chain. Problems are not spotted as they appear but at further stages/functions of the process.
Exceptions and special cases. These may require new processes rather than additions on the original process.

In light of the above and with consideration to constraints mentioned earlier, one may immediately decide there is a need to re-engineer within Treasury. People spending a lot of their time on the phone, rushing up and down the stairs, building reserves, dealing with parts of work within a structure of many levels of middle management, a lot of papers seeking confirmation and approval, duplicate (especially data entry) processes, etc. one feels like even the tall building should be re-built. However, there should be more before one shuffles the system. Treasury can not simply say: Sorry, but we are re-engineering ourselves and it is a full time job, so no money for the next x periods! That is to say, Treasury can not afford a turbulent transition period. Therefore, any major change in either processes or procedures -the way of doing things, can not be done dramatically as the theory suggests but instead, such attempts need to be planned over an extended period in a (relatively more) smooth improvement in contrast to sharp changes overnight.

As emphasized in almost any article, the business re-engineering is a top-down process. It is the task of senior management to map the situation on the wall, regardless of where the initial idea comes from, and decide which processes should change and which should go, what could be introduced instead. It is not a job of external consultants. It requires top level commitment to change.

There may be cases where the processes would be desired to remain unchanged and there would not be any need to streamline or remove them. An example would be the case with Indonesian Central Logistic Agency 13: The CLA had a perfectly functional system on paper, except for the lead time of 2 weeks for a piece of information to travel from the islands to Jakarta. But the Agency was very clear in that they did not need anything like a change in processes, moving of people or streamlining. All they wanted
was to put the paper based system into computer, thereby reducing the information travel time down to seconds, as required by the open market operations. So they did. Now the processes are exactly the same, but only the IT factor is in. This is not re-engineering but adaptation of technology to current system, which works perfectly well. Again, it should be noted that introducing information technology is not re-engineering. It only is the enabler to improve processes.

It all boils down to feeling the justified need to change. Organizations are changing all over the world. Although many of the re-engineering attempts fail (approximately 70% while the achievement in performance increase could only reach 30% of target in most)\(^1\), this is the new trend. If it succeeds, benefits are very large. BPR offers more than an improvement (in contrast to the above discussion for Treasury). As the below figure repeats, an objective of BPR is to achieve a sustainable growth in a quantum step function and so, a continuos improvement effort is also to be there. It also implies the reason for BPR: it is simply implemented to survive, to gain a competitive advantage. As the new business world keep changing, the organizations within also need to do so. Organizations change to keep up with and survive in the new time order of development.

![BPR - promises on performance](image)

Figure 3.
As Prof. Gullegde of George Mason University puts it, before it was the era of quantity, where the rules of the game was advance planning, mechanical technology, benefits through the economies of scale, value created within volume, and under a hierarchical structure. Then, the rules changed, and Ford can no longer "make any color car they want as long as it is black". As the consumer sees what can be done, she/he demands it. Therefore, in the quality era that we are in currently (yet about to leave) customer feedback gains emphasis under programmable control, with exploiting the economies of speed. Team based organizations develop and value is received from performance. Total quality management gained importance (although mostly failed in the public sector as ultimate performance measure did not exist). The previous environmental exploitation now turns into concern.

Even this is no longer sufficient and towards the era of harmony (as Penzia describes) mass customization is the new rule. Direct information access is indispensable, while these changes bring about a new organizational concept: the architectural organization. As cross functional, and even cross-industrial cooperation becomes vital to survive, some organizations are formed only for a short period of time. This concept of virtual companies was unimaginable before, not only by legal measures (anti-trust and cartel laws) but on the grounds of massive transformation costs. Now that information technology reduced the transaction cost, integration is possible not only in the processes but also in the organizations and customers.

2.2.2 Where to change?

Why and where should Treasury change then? The deliverable of a study conducted by Price Waterhouse in December 1993 for Treasury, The Management and Training Consultancy Report urges Treasury to consider the below areas of improvement. (We see that the proposed actions were partly taken, partly ignored, as discussed under
the section on recent developments in UT. Note also that the above referenced study has been conducted as part of the Treasury Information Systems Project)

Price Waterhouse groups the recommendations for the systematic institutionalization of a series of activities that would contribute establishing the ground to continually strengthen Treasury’s analytical and decision making capabilities. Accordingly, areas of improvement would be:

- Planning Framework: Planning activities to direct, control and monitor other processes that in turn strengthen the analytical capacity. Once a flexible and practical framework is established the actual processes like strategic planning, training and performance monitoring could be implemented within the time frame developed.

- Organizational development: Treasury should constantly evaluate its mission, clarify strategic objectives, define its analytical role, review corresponding roles and responsibilities within each unit and refine job descriptions.

- Institutional training: Within the framework covering an evaluation of skills mix needs, assessment of skills inventory, estimation of training needs, long and short term training programs need to be implemented in identified training options in areas of economic and financial analysis. to strengthen analytical capabilities.

- Information Systems: Improve operational effectiveness of Data Management Systems (measurement of effectiveness of key operations; facilitate data interchange within organization and with external agents; develop end-user service units, financial management and integrated budgeting systems; complete necessary hardware and facility investments.
Chapter II

- Transition management: Overcoming potential constraints to implementation, and resistance, etc. Recommendations include management of communications, securing commitment to change, team building and skills transfer.

Within the scope of the Treasury Information (Data) Systems Program - TDSP, so far only bullets 3 and 4 above, information systems and -partly- the institutional training issues have been addressed. As mentioned before, training is not within a programmed framework and objective oriented (tuned for long term objectives) very specifically. As far as the latter bullet is concerned, databases and user interfaces are mostly developed and results will be delivered very soon. However, unless a serious effort is coordinated under the last bullet above, all work could easily turn to be in vain. It is the very big responsibility of the senior management to manage the transition, perhaps occasionally forcing people to adopt to the new tools available. It is somewhat expected at the DPC that users will turn back to their conventional methods. In the meantime, the political and external intervention should be minimized that disturb the natural flow of processes. It creates a massive number of extraordinary and exceptional work load and numerous ad-hoc activities that can not be automated at all.

The transition management is important from another aspect too: Implementation responsibility is usually delegated to line managers and senior management turn their attention to the next project or priority. However, this is the most critical phase and must be carefully planned as in the business process design. Left to chance, the tendency is to adapt new technology to old process and procedures. Thus technology is under-used, work processes do not change significantly and bottom line results do not match projected savings / improvements. Implementation should be a bottom-up process requiring buy-in and commitment despite to top-down approach in initiation.
2.2.3 How to Change

It would be necessary to consider first what not to do, i.e. the common pitfalls

The down-sizing trap: Re-engineering is fundamentally a growth strategy, a process for adding value and expanding capacity to deliver services or products: quantum leaps in performance. It never is and should not be adapted as a methodology for downsizing.

Shuffling boxes on the organization chart without significantly changing the way work gets done. This would merely shift bottlenecks. Re-engineering must start with process redesign, and changes in jobs, organizational structure etc. should follow if required.

Different is not necessarily better. Processes should be analyzed for symptoms, and an understanding has to be developed. Assumptions should be tested, substantiated by facts and a cause effect relationship established before quick-fix actions are taken.

Failure to understand changes. Dynamics created by change can, for example shift power relationships or reward structures in a way that works against objectives. Again, cause-effect relationships should be reviewed in advance.

Majoring in minors. Trying to improve a process that does not add any value would be waste of time and effort with little impact on the desired outcomes plus may create a distrust against the whole process.

The tail wagging the dog. Business process re-engineering should not be confused with software re-engineering. There is the danger of technology rather than business needs to become the driver.

Results on the desktop. To change the everyday work from the way it has been done for years requires incorporating change at the grassroots level, and well-planned intervention strategies.
Re-engineering illusions should be avoided as discussed before for sustainable results in the long run, i.e. 1) eliminating people instead of work and 2) automating instead of transforming.

Phases in Introducing Change

It is necessary that the organization should be considered as a whole, and that no individual therapy should be implemented without considering the consequences upon the entire organization. While this study recommends processes to be considered within general directorates of Treasury, the effects on each other should not be ignored, and where possible, any effect should be ensured to impact positively, influencing other departments towards improvement. Additionally once the organization decides and ensures the required level of commitment, there would be various ways to implement, that is there is not a single common medicine and each organization is unique including its culture and established ways of performing work. A framework proposed by Gouillart and Kelly\(^\text{16}\) could be followed, who view the corporation not as a soul-less machine made up of discrete, replaceable parts but as a living organism -the biological corporation- with the following recommended phases:

- **Reframing** the company's conception of what it is and what it can achieve
- **Restructuring** the corporate body to bring it to a competitive level of performance
- **Revitalizing** the company's relationship to the competitive environment, igniting growth in existing business and inventing new ones
- **Renewing** individuals and the organization, enabling them to become integral parts of a connected and responsible world community.

All approaches commonly start with the corporate mission and involve an organizational restructuring if required by the new goals. Then comes the retooling,
including the human resources. The above framework could as well be followed, however, it seems to be too much competition oriented (which indeed gave rise to the concept or re-engineering), while the below explained approach would be more suitable for Treasury in a relatively non-competitive environment and its culture.

Petrozzo and Stepper define the following phases in re-engineering process:

**Discovery**: *What should be done where and by whom.* This phase involves re-engineering leadership and establishing the team in action, then assessment of the business.

The leader, by definition should be strong, aggressive, committed and knowledgeable plus, must be empowered. There is the inherent danger of empowering the people without clear directions and leadership in a chaotic environment. (This, if not the case within Treasury, is the case for Treasury, empowered by the Government.) It could be also a problem if the leader of the old, broken processes becomes the leader in the change process. The risks involved in leadership is not very relevant for Treasury's change activities as there is no leader, apart from the person whom, among the other daily activities, is responsible for the Project. Progress is occasionally pushed by the external consultant group that constitute part of the re-engineering team. The team leaders on the application development side are again appointed from within the operational level group and lack power. By nature, the re-engineering team involves cross-functionality which sometimes enforce large teams. In Treasury cross-functionality is not zero but minimal, the problem with the project teams is empowerment. Leaders are not (perceived as) seniors therefore any change proposed by the team lacks serious backing up. Implementation may remain at the operational level but the team to analyze business and redesign processes should include middle management who are more knowledgeable about the whole process (as operational level Treasury staff “only knows that task” within
the processes of her/his department that he/she performs" according to Emil). Additionally, those responsible for the project are working on it part time, in addition to daily fire fighting jobs. Champions do not exist in Treasury for the projects and it is usually the external consultants pushing for improvement. People involved (the project teams) do it because “that's their job”, and “they were told to do so”. Higher level project board meeting are just procedural and do not contribute very much in guiding and motivation.

Business assessment, finding the need and defining the scope should start by activities that span multiple functional organizations with maximum care for “doability”. In Treasury, the business assessment is basically based on external consultant reports, that identified areas of improvement for Treasury and approved by the higher management. It has not been the top management itself who decided on the processes or business areas to be improved (these are outlined below under the Treasury Information Systems Program). Nevertheless, the need for change must have been felt sufficiently to outsource this phase. However, the project teams are sometimes regarded to be working on those departments that the seniors come from, that is, selection of processes were biased and certain activities receive more support. Operational level buy-in should be improved. On the other hand, setting the scope of the projects requires true user participation otherwise objectives and requirements are never baselined.

Hunt and Gather : In this phase the re-engineering team develops a real, basic understanding of the business, how things work. This involves analysis of the current system, problem identification and studying, and includes techniques like benchmarking. With the detailed examination of current business it is likely that many inefficiencies will be uncovered but the work should not extend to too much detail and should question the value of each task. Many of the tools provided are concentrating on the profit orientation. This mismatch is accompanied for Treasury by little value of benchmarking and the uncoordinated activities between projects. A system of local optimums is not necessarily
an optimum system itself and it may ignore synergy effects. The current system analysis serves to find the root causes of problems and value adding tasks, otherwise the problems may exist in the new system again. The steps proposed here are

i) Document collection - not available in Treasury. Processes and procedures are not documented, job definitions are not available and authority-responsibility relationships are not clear.

ii) Talk to people - user participation is available but descriptions may be biased. People defend heavily the current processes and the ways of doing business. There is an excuse for everything which time to time influence the analysts and new systems usually resemble the old one.

iii) Document steps - The summit D methodology described below ensures that process mapping is done and documented. Intermediary (end-of-phase) deliverables also serve as tools to monitor performance and progress.

In this phase, the major concentration for TDSP projects are on flow of data and information and both the cost side is missing and many procedures (not computerized) remain same. Considering information dissemination (including processing and collection) as a main process for Treasury, understanding the way the system is and should be working involves very much how the information flows and how it is processed since it also includes external and internal events that trigger a certain process,

Here both the current processes and the existing information architecture is to be understood by the team to find out what the processes should be doing and the reasons why the process is not doing those things and how the people involved in the execution of processes use computer systems to help them with their jobs. As an information based agency the latter is very important for Treasury, if one also considers huge efforts to prevent data entry at irrelevant levels and positions as well as duplications. The problems
to deal with include input, output, exchange and usage that would contribute substantially to the way activities are performed within Treasury. Apart from automating and standardizing, the major contribution of efforts would be to save more professional time for analytical and decision making activities that eventually should lead less daily fire-fighting and more longer term perspectives.

Innovate and Build: Once the root causes of problems and objectives desired to be achieved are defined that serve as the seeds of the new design you need a methodology to help you through understanding a priori how a business system will behave under different conditions. There is a need to explore the consequences of possible new designs before you actually implement them and need for tools to help incorporating positive elements of a reworked business design.

The output of this phase is the redesign: the new process, a description of system functions and an organizational structure including who will perform the tasks in the new process. Innovation likes the flexibility offered by technology and this is where information technology comes into picture as a powerful tool. First you specify the project objectives like a mission statement of a company. Then, as many would elect to do, you would develop a prototype, a pilot or a trial to minimize risk given the complexity and cost of re-engineering. There will be need for dedicated technology personnel in addition to the re-engineering case team to design the new information architecture and develop any needed software that give you the flexibility and room for creativity. What we see in current activities is the group that should have constituted technology team is also assuming the re-engineering team role and conduct business analysis also. The previous two phases require a composition of more senior, knowledgeable and empowered people to be truly able to redesign the process itself, not only the information architecture.

The redesign principles:
• General Principles: Keep it simple; Push work up, not down

• Process design: Design for 80% of cases with exception handling for tougher cases; Validate data at source; Eliminate Review tasks;

• Organizational Structure: Organize groups around extended processes, not tasks; Involve as few people as possible in performance of a process; Use coaches instead of supervisors

• Interfaces: Simplify customer interface; Reduce dependence on E-mail, fax and telephone but co-locate people

• Automation: Avoid automation for its own sake;

• IS Details: Beware of information as a corporate source; Avoid reverse engineering of databases (carrying to new platforms); Avoid coding data; Avoid long reports

The current teams' power does not extend beyond the last bullet.

Reorganize, Retrain, Retool: This is the "how to" phase; transition towards real implementation. Reorganization is frequent and is generally done to shake things up or in reaction to a new strategy or emerging requirement. Re-engineering requires that organization structure is based on the new processes. Much of the success depends on reinventing how the work is done and role of management is supporting the work environment. The new process needs to be effected with a new organization (structure, skills, culture), if the process is truly re-engineered, it won't work under the old organization. This involves a change management to overcome resistance and sabotage due to various reasons.

The retraining aspect is mostly ignored. But re-engineering requires that a business get at the root of the problem of jobs and skill sets that do not match. An understanding of the existing capabilities is a must to proceed with training required for productivity in the
new environment. After the process is documented and training is done it is time to introduce new technology to the rest of organizations and operationalize the new work groups. Everything needs to be in place for a smooth operation.

When the activities in Treasury are reviewed in light of above phases, we see that the Treasury Information Systems Project is far from re-engineering at least in terms of the complete organization (or general directorate). Although part of the actions proposed above are tackled in scattered activities the overall program is serving to make life easier but processes remain more or less the same. The whole program, as seen in the next section, is retooling and somewhat retraining, yet within the current system. It should be admitted though that decision making will be facilitated with the new analytical tools, revolutionary software under construction, technology being used as a lever, and many aspects of the organizational culture is being influenced, new understanding in doing business are being developed, so on. Efficiency has been addressed but current activities do not promise a fundamental change to improve effectiveness, the major focus not being streamlining processes or sub processes, nor changing roles and responsibilities. The project could, however represent a pilot study.
3 CHAPTER III

3.1 Recent Developments in Treasury
Treasury Information Systems Project

In an effort to improve technology and knowledge base as well as analytical sources to the desired level required for the Treasury’s role in the macro-economic management, Treasury Data/Information Systems Program (mostly referred to as TDSP) had been initiated approximately three years ago. A small survey conducted at that time revealed that about two-thirds of the staff time was spent on data collection and data entry to enable Treasury functions be performed (Yıldırım AKTUĞAN, Department Head, General Directorate of Economic Research). Accordingly, the need to reorganize and heavily expand the knowledge base came about. It would not, however be sufficient to build a comprehensive data base, the analytical capacity was also to be improved.

In this frame, the Program would

- improve Treasury’s monitoring and policy formulation functions;
- enable timely and effective access to central data sources by the Treasury staff;
- ensure that Treasury can access the data banks of multi-lateral institutions and exchange information; and
- support the development of institutional infrastructure supplementary for the investment in human resources.
Another objective sought is to improve the reliability, accuracy and accessibility of the economic information disseminated by the Treasury for other public, private and international organizations.

The following chart summarizes the activities and areas targeted by the program.

**Figure 3.**

So far, most of the procurement has been done for the Data Management side, and databases are under construction. As far as the Institutional Structure is concerned, the analytical studies will mostly be finished within the second quarter of 1996. These studies are expected to serve a better functioning of Treasury by enabling accurate forecasts and facilitated decision making.
Chapter III

The analytical studies cover:

1. consolidating public sector accounts for more effective public finance policies and better monitoring the developments;

2. analysis of public sector fund flows to be able to monitor the effects of public deficit on the financial markets and main economic indicators;

3. macro-economic model building to improve consistency of program formulation;

4. determining effects of foreign trade tax reductions (in connection with the customs union) on the consolidated budget;

5. development of an early economic and financial warning system to foresee developments in both the economy and the financial markets and enable necessary measures to be taken in advance.

In order to be able to fully utilize these tools, the institutional development mainly targets to have a highly qualified human resource base which could become productive through a proper structure. Accordingly, in addition to higher education facilities provided abroad, Treasury will be undertaking short term professional training program and studies to reveal current macro-economic situation.

Additionally, an on-line library will be established (open to public) for data sharing within the scope of the Economic Information Center planned for the near future. The Center will fulfill the economic information dissemination function of Treasury, information being available through Internet, magnetic or printed media. This should take the ad-hoc report generation burden off over a majority of staff by transferring this function over the users themselves. It naturally is expected to contribute financially as well.
3.1.1 A Similar Approach

In developing databases, the Summit-D methodology of Coopers & Lybrand\textsuperscript{19} was adopted to Treasury. This methodology is a structured approach, adaptable to varied tools, involves breakdown of work into manageable sequential steps at the end of which certain deliverables are required that serve as tools for monitoring performance. Results being clearly specified in this manner, the approach also involves project planning (a concept totally new to Treasury\textsuperscript{30}) and prototyping in systems development. The relevance of this methodology is in the Systems Requirement Analysis Phase.

All developers go through this phase which is basically analysis of the current system and development of a process map of the new, i.e. proposed system at the conceptual level. This approach more or less follows the Process Re-engineering concepts. The developers are in continuous and intense communication with the users, that are the process-performers in the Treasury. In this manner, both the developer develops an understanding of how the current system works, and the user is familiarized with IT concepts. Once the goals and user requirements are defined, the developers work on a conceptually ideal process map, which does not necessarily represent the current processes. Then the (information) system is developed again conceptually, on paper with reference to the ideal process map developed. So far it is very similar to the BPR methodologies, but activities start on the information architecture side.

As Petrozzo and Stepper recommend, the process analysis and work debugging is done by the DPC department staff, the both internal (to the organization) and external (to the process) people. Therefore, the analysis process starts at more or less where it should, and receives full commitment from both the middle and the senior management, but the change process should start at a more senior level. Another feature of these activities is the highest level of communication enforced. Projects are carried by a project team that includes developers, user representatives and external consultants-if and where
necessary. At one step higher, there are the project boards that bring together department heads and/or general directors from different departments together. This enforced cross-departmental and cross-hierarchical communication not only speeds activities by circumventing some reporting formalities, but also firmly establishes the client connections.

Up to this point, everything seems to be a perfectly well planned change initiation process. However, when it comes to the real implementation, almost all of the projects slowly shift back and the end result is the automation of processes exactly as they have been before! These facts draw attention to the empowerment, leadership and commitment issues. At this point it becomes the middle management’s responsibility, fully backed up with senior support, to enforce change and stick with the originally proposed conceptual (new) system if it really is better than old system. As the above implies, this also requires the middle-to-top management to be involved in the conceptual process mapping activity. This should not be the responsibility of the project team only that is composed of technology personnel (or senior management should be a part of the project teams so that they have a word on future enforcement).

Accordingly, although the starting point may be right and initial work is resembling BPR concepts, this is not re-engineering. Once the full participation is achieved in process redesign, it could then be implemented on other processes surrounding the main business of Treasury.
3.2 Findings and Conclusion

3.2.1 Interview Results

In order to be able to collect Treasury specific information and unearth some personal issues like motivation as well as personal expectations, eleven interviews were made. Although the targeted interview group changed due to the time required for each interview in face of the extraordinary condition prevailing, the final group consisted of both operational level staff (4), management levels (3) and external consultants (4) plus an internal consultant (Tuna Iskir, this interview was not enclosed as it followed a different pattern, more in the form of a briefing on historical aspects). This composition helped raising arguments in different perspectives.

The interview findings can be analyzed under the following four main headings:

A. Separation of Treasury and Foreign Trade: The generally accepted finding is that, the reasons that brought unification in early 1980's did not exist any longer, therefore the two organizations with basically different functions could be separated. Other reasons given include increased flexibility for Foreign Trade, reduced workload on the senior management, creation of more senior positions, and political preferences. It is also common to all interviewees that the separation did not result in increased effectiveness nor efficiency, (neither was this the goal pursued) especially at the operational level, and that after the uncertainty period that followed, only the departments that served for both sides were adversely affected. The separation did cause duplication of some activities and processes.

B. Concepts and Relevance of BPR: Interview findings suggest that process reengineering was required for certain functions or departments of the Treasury, however an institution-wide improvement effort would require government level commitment and
support, especially in consideration of the high interdependence of Treasury with other macro-economic agents in Turkey like the Central Bank and Ministry of Finance. Currently although the top level support is available, a radical change would necessitate government level strategic direction. Any improvement attempt should start by clear definition of Treasury's generic objectives and mission that need to be communicated to all levels. Currently, interviews support the proposition that lower levels of staff lack the whole picture of the processes but know only sub processes or operational activities.

C. Treasury Information Systems Project. Interviewees agree that TDSP activities brought a substantial change both in efficiency side and on the cultural aspects, however they contribute little to the processes themselves. These projects are rather efficiency oriented and are not BPR attempts but with a better coordination and a higher degree of senior management involvement, project activities could be reshaped as a pilot re-engineering program.

D. Areas of Improvement. A common answer considered the personnel and more generally, human resource management as the main area to be improved within Treasury. Others include more efficient communication, increased co-operation at senior levels, responsibility-authority and task-skills match, performance appraisal and more realistic rewarding system (incentives) that would contribute to motivation and job satisfaction. It was also proposed that the limited time in service for the senior management was a negative factor preventing long term strategic planning.

3.2.2 Other Findings

As repeatedly emphasized in most BPR literature, and pointed out in the early parts of this study, everything starts with the objective mission. It has been stated that the strategic objective and main business interest of Treasury are not clear. The documentation in relative laws can not extend beyond limiting statements that Treasury
has to abide with. This opinion is further supported by the interviews, where it is clearly seen that there is no consensus (or sometimes no idea—especially at the operational level) on what the core business of Treasury is.

Treasury should develop, just like a private organization, a clear mission statement that would assist in linking jobs and responsibilities in a harmonious manner towards a common goal, or a set of goals that altogether serve attainment of a strategic objective. The second step should then include a vision statement for change process (assuming the prerequisites of commitment, etc. are there) and justifications. This step mainly aims to achieve the buy-in of the foreseen change, that could be painful.

It is obvious that BPR is not a one-to-one match for public enterprises, nor for Treasury itself, but neither there is anything to prevent a BPR guided improvement. It could be implemented in the Treasury. Not contrary to the private sector implementation, re-engineering in Treasury requires a well planned analysis and implementation; but differently, it should have an extended transition period to ensure continuity in operations as well as a flexibility to overcome the resistance that is further strengthened by the institutional culture.

What enables process re-engineering conceptually, is again related with this culture. The top-down nature of re-engineering makes it feasible, however the senior management requires less uncertainty ahead and more continuity on service as well as increased independence from political influence. What the central government should provide, as a must, is an overall strategic guidance.

The concept of top management support and commitment should therefore be broader for Treasury if a fundamental change is desired, to include government level support above the organization to ensure certain dependencies including the legal framework and relationships with other economic agencies do not block the way. The
interviews suggest that Treasury is not autonomous or flexible (nor powerful enough) to act individually in many aspects.

Accordingly, the study concludes with the following findings:

**Treasury Information Systems Program:**
- serve as data collection and management as well as an analytical tool
- targets (and partly achieved) quality improvement
- efficiency oriented rather than effectiveness
- is not re-engineering, but involves similar concepts
- covers the retooling and retraining aspects
- requires business process analyses made at higher levels in the organization
- could be expanded into a pilot re-engineering study

**Enablers of Process Re-engineering:**
- top-down nature of the process
- institutional culture that allows top-down enforcement
- availability of in-house senior support and commitment
- human resource base (including computer nerds)
- availability of high-tech tools
- capacity to raise necessary funds and utilize external consultancy
- powerful position in the economy

**Disablers of Process Re-engineering:**
- high interdependence with other macro agents
- vulnerability towards political system
- uncertainty created by instability of the government
• rigidity in moving people and limited room in personal incentive systems
• unavailability of government level backing
• very high turnover in top management
• high turnover in overall organization - low motivation
• institutional culture too far from professionalism
• limited benchmarking possibility

Areas of Improvement in Treasury:
• strategic management, long term planning
• clear definition of mission and objectives and performance indicators
• communicating objectives down including job descriptions
• related with the above, clear roles and responsibilities
• matching of people (skills) with jobs
• human resources - recruitment and management
• leadership -management by objectives
• performance measurement based on results
• delegation of responsibility and responsibility-authority matching
• support systems -strategy development team and information systems
• goal oriented training and foreign posting
• coordination between general directorates
• hierarchical organization (too many control levels)

3.2.3 Conclusion

Coming to the original proposition in this study “Does Business Re-engineering Have a Chance at the Treasury?”, in light of the literature survey, the findings suggest that the
answer would be a *conditional* yes. That is, any program for the complete organization would necessitate a government level back-up. Alternatively, re-engineering could be implemented on a departmental (or general directorate) basis, in which case operational level buy-in needs to be ensured by Treasury senior management and process redesign should involve top to middle management participation both in regard of knowledge level and to minimize resistance for future (enforced) change.

On the other hand, there are various areas where Treasury needs improvement, starting with strategic management, for which certain re-engineering principles could be applicable. In order to function properly and fulfill expectations, there is a need to switch from reactive performance to proactive, strategic functioning. Achieving the latter position would require a coordinated and well planned transition over a long term towards a totally new organization (systems, processes, culture) that truly generates policies rather than being involved with daily fire-fighting. The coordination should be carried beyond the Treasury itself to include government support and rule based relationships with other agencies, which, with the relative power that Treasury holds, seems feasible. Once the ideal Treasury is defined and it is declared both at the institutional and government level with a clear and formal objective statement, then concepts of process re-engineering could be employed to attain the objectives.

The findings suggest that Business Process Re-engineering is well applicable both in Treasury and could later be expanded to the whole public sector and that, this study should be further expanded into a detailed analysis of process re-engineering phases by a true one to one mapping to Treasury processes, with cooperation from the Treasury senior management. Each phase (whichever methodology is followed) could then be designed conceptually where consequences of any proposed action or change should be simulated.
References


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APPENDIX - INTERVIEW RESULTS

The interviews conducted within December 1995, revolved around the following issues and questions. The below should not be treated as a structured questionnaire, but a checklist for points to be raised in an unstructured interview. The interview results given later are grouped under the main headings and bullets do not necessarily represent the relative questions.

Separation of Treasury and Foreign Trade

1. Why did the two Undersecretaries split? Please give your personal opinion in addition to the formal declaration.

2. Did the split improve processes, functions, activities, etc. and contribute to the working culture or did it have detrimental effects?

3. What is difference as far as senior management is concerned? As far as the operational level is concerned?

4. What could (should) have done as a preparation or as preventive measures?

5. Could the effects of split have transformed into benefits (now that it has created a certain level of turbulence)? How?

Concepts and Relevance of BPR

1. How would you group the main processes within the Treasury? What do you consider to be the core processes?

2. As far as the Treasury operations are concerned, do you see a need for a big change in processes themselves? In the way processes are performed?
Appendix - Interviews

3. If yes, what could be expected out of this re-engineering effort? What would be the effects of such a big transformation?

4. Could the concepts beneath BPR be implemented in Treasury? Is it relevant? What would be the reactions, say for the proposition of reducing the levels of middle management?

5. How could BPR be implemented i.e. how should change be introduced? Where should the efforts start?

6. Could the necessary top management support be available? What else would be needed?

7. Do you think BPR is relevant for any public administration in Turkey? What could be the hindering factors (legal basis, working culture, etc.) or resistance for Treasury and in general?

Treasury Information Systems Projects

1. What do these projects serve for, what is intended? Please also provide your personal opinion.

2. Do you view them as BPR attempts? Why, why not?

3. How could they be improved (especially to achieve process re-engineering, if ever necessary)

4. What is the motivation for people involved in these projects, i.e. Why do they contribute in the project activities?

5. Who leads the activities (is that person different from the responsible person assigned)?
Appendix - Interviews

Areas of Improvement

1. What are the issues that require to be addressed and improved in Treasury for more effective and efficient operation (e.g. personnel policy)? Why do you think they need to change/be improved?

2. What could be done?

3. In your opinion, do you think the management itself needs to be changed (approaches, behavioral attitudes, command of chain, the way things are done)?: Do you think the organizational structure needs to be changed and in what manner (a flatter organization, disintegrated functions, or larger or smaller spans of control)? Why and why not?

4. What do you consider the degree of top management's openness to change and innovation?

5. Are the horizontal and vertical communication sufficient, too much, or inefficient?

6. How do you regard the cooperation between directorates? Should it be improved? Why and how?

7. What are the motivating factors for senior management in their jobs- why do they work at Treasury? Is it different for middle management and for operational level employees?

8. What do you consider the degree of job specificity is in Treasury? (Specificity : The degree to which it is possible to specify the objectives of a particular activity, methods for achieving them, and ways of controlling achievement. i.e. how it affects the participating actors; the degree to which actors are rewarded for the performance on the basis of results)
Appendix - Interviews

Baha KARABUDAK
Consultant (External)
Macro Economic Modeling

Separation of Treasury and Foreign Trade

The separation was meaningful and indeed necessary. The unification was justified under the special conditions prevailing after 1980s where fast political decision making and implementation was necessary.

The underlying objective was liberalization of foreign trade, major leaps towards better public financing, free floating foreign exchange etc. that required fast and effective decision making. Otherwise it is not meaningful to combine these different duties, functions, responsibilities. Now the environment has changed, a certain amount of progress has been made and the need is no more there. The new economic conjuncture in 90's bring out two major issues. There are major problems in public finance policies and management. That is the knot for problems led by inflation. The traditional main function of Treasury is policy development assistance and implementation. The international trade conjuncture is changed especially with GATT and EC meetings. Additionally the customs union is again on the agenda and there is a need for an agency to tackle with these problems. This should be Treasury, accordingly the split was necessary to provide more flexibility (and even too late already in regard of functionality).

Here is a paradox: A serious improvement could not be achieved. The beginning point was correct but then it was disoriented. It did not have a detrimental effect neither, except for GDER and DPC which were the jointly used departments. Now that two became two units that are not sufficient in terms of human resources and equipment. The others are separated as General Directorates, i.e. functionally. The split was like a physical cut of a watermelon. ("Karpuz gibi kesilirse olmaz tabi!") But there are some
departments that should preserve an integrity. For the others, since it was only a functional split activities within General Directorates were not affected adversely.

The prerequisite for improvement in any direction is directives from senior government and strategic planning. Otherwise, Treasury could have used the discretionary initiatives before also. But since the strategic direction and priorities did not come from top, improvement could not be achieved. We could not take advantage of this opportunity. Strategic guidance towards long term policies should have been provided by the government itself.

An alternative would be top to down pressure but this is weak since the Treasury is working like (and is organized accordingly) a fire brigade. It puts down the fire but preventive function does not exist in the institutional mind (nor in the institutional memory). Treasury is dealing with daily solutions, fire fighting all the time and the basket of proposals are never realized or developed for this reason.

There should have been a unit that would develop measures and approaches dealing with research. The main function of this leading group (kurmay) would be problem detection, background work and most important strategic planning (with the proper organization and equipment)

**Concepts and Relevance of BPR**

The core process for Treasury is the public finance management, and some surrounding processes, like monitoring and supervision of the financial system, and thus relatedly provide consultancy to Government in coordination with the Central Bank. The background work of Treasury is to regulate especially the expense side of public finance and to ensure resources and financing are available when and where required.
In the presence of the fire-fighting culture what is required to perform the above would be a sound support system, especially information system for decision making processes, and secondarily a strategic group concentrating on the Treasury management.

Since fire-fighting commands/controls the whole organizational culture, the concentration remains at the core (Public Finance) process related activities which have not been through any improvement for the last 10 to 20 years. The only development has been the letters to the Central Bank not being out of a typewriter, but keyed in a PC. There has been no differences inherent to processes because there are not support systems to increase the acceleration, no information system and support group, the mid and long term system to perform strategic planning. Out of the above mentioned PC, you can not receive main indicators. But the Central Bank does have this. In Treasury, you can not find a financial markets indicator system to be used as a tool as there is not even a database.

There is a serious need for re-engineering. Processes should change but first, the culture should be familiarized with the change concept, what it is for and why is it so indispensable in today's conditions.

Areas of Improvement and Treasury Information Systems Projects

Treasury has put itself into a loop with the personnel regulations which continually feeds the organizational culture. The establishment law closes the doors to the external world like a guarding fence (indeed there is not much to loose in the inner side). This was an effort to be protected from the external political influences but this prevents procurement of qualified human resources at the required capacity. It also limits those who enter into the labor market recently thereby prevents a fresh blood. Treasury's internal organization does not make things easier in this respect also. The above
mentioned two support systems requires expertise while Treasury is closed for this institutionally. First of all, there isn’t a career planning system that conforms with this.

For example, the system programmers at DPC with MS degrees, formulating and developing applications for Treasury debt management are “specialists”. But in another department, someone who develops an experts thesis on marble industry and defines what marble is, is again called a “specialist” and organization wide, there are no differences among them, conditions, salaries, positions are the same, except for career prospects. The latter, marble-man has much better prospects due to Treasury establishment laws, while his/her expertise is not valid out in the labor market though the first computer-man is a specialist internationally, but will never receive a foreign post. The same is true for Strategic planners with transferable skills.

In the support strategic group and information systems, sustainability of performance should be the criteria. A person working for 3 years should not expect a position in Belgium for the next 3. The system necessitates human capital investment which should be used for a maximum period to reap benefits. Now benefits are not realized sufficiently and without harming both personal and institutional development. Foreign positions are absurd when IS and strategy planning activities are concerned. It should not be a part of career planning at least, it should be over a very long term and should be compatible with the investment made.

The Treasury Information Systems Project had significant contributions as far this investment and skills development are concerned. All the “specialists and consultants” are however short term, since the structure can not digest, and internal culture prevents skills transfer. The project activities could have been improved with a more structured teamwork, where organizational change would be defined and declared as a main goal. Individual efforts would be in vain, unless integrated under a coordinating plan and
currently project activities get scattered. Individual motivation, on the other hand for external consultants is only professionalism. On the Treasury side, the driving factor is self improvement as human capital on minimum cost. Accordingly leadership is also fragmented by different tasks. Usually the organizationally responsible ones and the literally responsible ones are not the same. The organization structure does not allow this.

The Treasury should open itself, as much as possible, to qualified human resources within certain rules and norms, minimizing discretionary selection and should not base personnel policy on foreign posting. What could be achieved in this change of cultural approach depends very much on how us consultants approach the matter. The organization should see that it confronts cultural problems and to achieve this, their curtains need to be opened every now and then (by us).

The internal communication is outright inefficient because information system does not work and communication is a part of it. Inter-departmental communication and especially coordination is weak. For example, sworn bank auditors should be in close cooperation with banking and foreign exchange, but on the contrary they are not related at all; information exchange is very limited and there is obvious competition (room for re-engineering?). Additionally, everyone particularly at the operational level, knows that certain part of a specific process among the responsibilities of his/her department that he/she individually deals with and many lack an overall view.
Adil Ünlü ERDOĞAN
GDER-DPC, Systems Analyst
& Application Developer

Separation of Treasury and Foreign Trade

In my personal opinion, the two organizations were separated mainly for political reasons rather than business or efficiency objectives. I also do not think it brought any improvement or development. On the contrary, the effects of discontinuity in authority and command chain immediately after the separation had considerably negative implications.

With a pragmatic approach, it can be said that new opportunities emerged by the separation for senior management, like newly opened posts, promotions accompanying new job descriptions, etc. However, this did not make a difference for the operational level.

Before the split, first of all it should have been analyzed properly whether such a separation was required at all which requires the reasons for the initial unification to be investigated. It is very true that some conflict was created some of which are still continuing. Nevertheless, I do not believe the separation contributed positively, or has a potentially positive impact. I do not approve such serious, major decisions being taken on political preferences.

Concepts and Relevance of BPR

The main processes of the Treasury are covered within the framework of projects being implemented or will be initiated under Treasury Information Systems Program as the 7 main headings - Foreign Trade related issues need to be treated separately. But I am not in a position to decide on what is or should be regarded as the main process among these.
So far, I don't think there is an urgent or undeferrable need for changing the processes fundamentally. I am sure if the processes were carried as they are defined and monitored as required by these definitions, much better results would be achieved. My personal opinion is that, unless the required commitment, care and continuity is ensured, it would not be of any importance whether the processes are changed or not. In that sense, I don't think BPR is relevant. I think that there would a prerequisite of starting not from scratch but from a system that is working, although not efficient. Within the current framework, I don't see any chances.

Nevertheless, the required top management support for many changes could be provided, expressed verbally. However, as long as the implementation is concerned, this support would not be sustainable for reasons like insufficient information and knowledge level and misunderstandings. Advance creation of awareness is a must. I am not very much informed on BPR concepts and other agencies themselves, but introducing change should not be impossible. Within the Air Forces, I know that studies are being made on "rightsizing" and similar issues.

Treasury Information Systems Projects

With the Treasury Data/Information Systems Program, it has been targeted to create an environment that enables Treasury functions to be performed more effectively. But, in my opinion, inefficient use (allocation) of resources and a lack of full coverage commitment (Treasury wide) are potential problems on the road to success. Irrespective of the intentions, the current implementation can not be regarded as BPR since it does not extend beyond automation of current processes with minor modifications.

Perhaps positive results could have been achieved if the findings from the analysis phase were more heavily considered and definitions of functions were re-drawn, and a more effective role was assigned to the Data Processing Center (DPC) during the
structuring of new systems, that is, if the ground was prepared to allow re-structuring of the old system.

As far as the motivation of people involved are concerned, it should be approached dually: from the perspective of DPC and from that of user representatives. DPC staff are adversely affected by the ignorance and lack of cooperation of the user representatives. User representatives, on the other hand, view these studies as an extra work load and do not devote necessary time and attention. Under these conditions, some things should be changed to be able to talk about motivation. This could also be affected by the leadership or the leading factors in the project that varies depending on times and attitudes.

Areas of Improvement

The most important thing for Treasury's functioning is the need of, first of all, revised personnel policy. The definitions of authority and responsibility should be developed together and simultaneously. I think the training opportunities provided either within the TDSP or other projects should be utilized in alignment with objectives. The very existence of "traditions" in many areas give way to unprofessional starts. Another important and related point is the lack of an "institutional memory".

Accordingly, it would be useful if the current organizational structure is reviewed and, as I mentioned before, the authority/responsibility definitions are re-written to remove insufficient and misleading guidance within personnel management policy.

I believe there is room for change and it is inevitable but I do not have enough knowledge on what should be changed and in which direction. Still I think it would be appropriate to relieve decision making mechanism by delegating more responsibility, increasing span of control and motivating persons to assume responsibilities and take initiatives.
The senior management seems to be more open compared to the older times however, I sometimes suspect whether this is superficial and just an image. Many functions are still carried by personal efforts and connection. That also is valid for the (in my opinion definitely insufficient) communication. I observe double standards and exceptions in the hierarchical implementations. I think technological improvement (e.g. E-mail) would change the hierarchical formation and constitute an infrastructure to enable a more effective and efficient communication.

Similarly I think the inter-departmental cooperation is again insufficient. Forget about the cooperation, you can even talk about a kind of competition between the general directorates. Although I have no doubt that if a potential cooperation was established and maintained it would bring numerous benefits, but it seems to be a distant dream.

I have no idea on the motivational factors for the upper levels, I think one needs to go through those stages to be able to judge. I mean it would be more appropriate to consider all levels within a totalistic approach and evaluate accordingly.

Job Specificity? Rewards based on performance? Achievement control? Is there such a thing in Treasury? Actually there exists a related principle in Treasury: Do somebody a favor and it becomes your job!
Separation of Treasury and Foreign Trade

Why did the split come?.... It was because of the differences in the nature of the work done. Perhaps it would be better to examine why they were integrated into a single body, in the first place.

So far, there were no changes as far as I could observe, neither in the definition nor the quality of the work performed. Work flow slowed down for some time and communication was broken but people adopted to the new situation in a short period. The difference was that by the separation, there were more managerial positions emerging but no change at the operational level. And since the separation brought no change in the descriptions of the work done there were no positive or negative effects, as far as I can see. If the job descriptions were reviewed and changes were made, then we could talk about its effects.

Concepts and Relevance of BPR

The main Treasury processes can be defined, as in TDSP, as SOE related (monitoring) processes, domestic-external debt management, and those related to banking and insurance. Since each of these processes are carried by the relative General Directorate it is not possible to select either of them as the Main Process. But in the general context, since cash management naturally is in relation to each of the above, it could be viewed as a main process in the global sense.

I can not judge whether there is a need for change in the definitions of these processes but I believe that it would contribute to the general effectiveness if a study was made to have the processes covered by the TDSP being performed more efficiently.
When those processes are identified that could have performed with increased efficiency in time and effort, the results of any improvement would directly be reflected at the decision making process of the senior management.

So far I do not see and re-engineering (of processes) within Treasury, as all the work done so far at the very beginning phase. Activities are not evaluated against a predefined set of criteria, and are re-defined. All efforts are concentrated on automation of the current system. And when the attempt is to transfer manually handled work into computers or electronic media, we incur some time/effort losses and suffer from unnecessary applications.

I believe top management will provide support for these studies when informed sufficiently. In addition to that, all participants of these studies, users and the technical staff should be supported and motivated for successful results.

**Treasury Information Systems Projects**

The goals pursued with Treasury Information System Program is to improve effectiveness of Treasury in fulfilling its functions and assume a leadership position in the economy. Another objective is creation of a central database for both in house personnel and users outside of Treasury to provide the fastest and most accurate solution to user requirements.

Actually, different results could have been achieved if each project under the Program was treated as BPR projects. However, currently no changes are made on activity/task definitions while automating processes. The current system is transferred to computer environment exactly as is, or some additions are made or the platforms are changed.
The project activities are carried by project leaders at the lowest level and then, respectively by project management, senior management and the board, up in the hierarchy. Currently I can not see any motivating factors for neither level of actors involved.

Areas of Improvement

From the TDSP point of view, it is necessary to attain (and maintain) a further level of participation on the user side. It should be ensured that participants do not regard the project activities as a time consuming burden, but as constructive efforts that contribute positively to their branch and department performance. Staff involved should be informed about these issues and appointed. Otherwise, they are heavily involved with daily branch or departmental work and can not get away with extra tasks. The board meetings should be held regularly and both senior management and the user side should be informed continually. In any case, I believe the senior management is already participative and positive towards change and improvement.

In my opinion, all these lead to failure in achieving the required efficiency in activity performance, in terms of both time and effort. In this context, process definitions should be reviewed and work flow should be arranged again, while, the communication among persons is sufficient in both vertical and horizontal flow.

On the other hand, the cooperation between General Directorates need to be coordinated very effectively. Apart from the normal communication, this could be achieved through board meetings and other (more frequent) informal meetings.

As far as the job specificity is concerned, I believe it is very low in regard of the definition. Especially the return/feedback from activities, e.g. performance appraisal and proper rewarding is very very low.
Ismail KAYALI  
GDER-DPC, Systems Analyst & Application Developer

Separation of Treasury and Foreign Trade

From the business point of view, two different functions have been integrated during the unification, which also constitutes the only example in world. The economic power was immense during Özal times. In addition to that, the transfer of foreign capital, incentives and free zones departments from the State Planning Organization in 1993, created a very big reaction in the external agencies. The implication was obvious: When a reorganization was needed, the external powers prevented the respective law from passing at the Parliament.

The reason for the split, therefore is the non conforming nature of Treasury and Foreign Trade functions (not in economic but in business sense). This mismatch brought out some weaknesses in the organizational structure. Ideally, with this separation the business develops a more objective oriented structure - therefore it must have had a positive effect. An example from DPC - TDSP: 7 of the 8 projects are interrelated and functionally complementary, while the remaining one of Foreign Trade serves for completely different requirements.

The difference at the operational level (within DPC) is seen at the hierarchical structure. Before the DPC Department Head reported to the General Director; now there are three Departments within DPC: i) System Development, ii) Communication and Support, and iii) Training. While the second Department should provide support for both the System Development and the user side, this could not be achieved both for technical and behavioral reasons. The daily work structure has changed: this is more a specialization structure but since communication between three DH’s could not be
Appendix - Interviews

maintained and there is no integration, the new structure did not succeed. Two other Departments emerged out of the split: Insurance (out of Banking and Foreign Exchange) and SOE's (out of Public Finance). The monitoring function is separated as a business process, but why? There isn't a sound study. It could be workload considerations. There was not a major change in the higher levels, only now there are two undersecretaries, that definitely reduces the workload at that level.

The weaknesses are probably due to insufficient preparation. I suspect whether the issue was discussed at a technical level, the justification was brought in politically, cons and pros were not discussed. "We did it!" they said. Eventually, on the outlook there is an uneven distribution of resources. The weighted part was already the Treasury; Foreign Trade was a later fixture. Even within DPC, the Treasury side was already involved in project development and used more sophisticated tools. The mindset was more developed.

Yet, some hindering factors could have been addressed in the meantime. If the DPC is to serve to the whole organization, you can not just create three Department Heads on paper to solve the problem - which failed anyway. The preparation should have been more healthy and reorganization should take place in regard of different business functions. Now the (horizontal) links are missing, as well as new job descriptions.

Concepts and Relevance of BPR

The main function of Treasury consists of processes supporting the macro-economic policy formulation, e.g. banking processes, that are monitoring and research. But there are no studies on what are the positive and negative results of the system being the way it is. The research basis for search of improvement, analytic and modeling capacity are missing.
Accordingly, Treasury’s economy guidance function that should run parallel to its monitoring function, can not be performed. In addition to lack of modeling and analytical capacity, people get involved in unnecessary work. This has been the factor giving rise to TDSP, e.g. to minimize data entry. Indeed the processes themselves are OK but the ways we do them are wrong.

Theoretically first the government office structure and the job culture should change. The concept of “civil servant mindset” is a work for 5 being done by 15. This need arises since planning is not well and staff is not (can not be) matched with requirements.

The previous organization structure was caused by inefficient job descriptions and work plans. With the split, new middle management positions were created however, these positions were filled on personal favors, without considering the needs, skills or with true justifications. Jobs follow people, staff is not positioned according to job. For example, some middle managers lack the necessary leadership skills (both knowledge and behavioral aspects). Still some, should have already been retired.

Certain processes should change within DPC, but on the overall, although it is technically feasible and needed, any BPR attempt would not be sustainable due to political reasons (e.g. the most time consuming process is to create ad-hoc reports. No matter how much you automate or computerize, there will always be the need to produce biased or modified data sat for IMF visits. The automation does not remove / reduce the steps involved). Reaction and resistance will not be minimum, both internally and externally. The government policies limit staff mobility (not allowing eliminating some positions) whereas changing personnel policies are subject to legislation. Technically, in house resistance will not be very high but BPR would only be feasible only if Treasury was
autonomous. Accordingly, senior management can only provide a limited support. BPR could be done within each general directorate. Top down authority is a must.

Note that the same should be valid (and is necessary) for other institutions too. It seems feasible, at least partly, in relatively more contemporary bodies like Central Bank, State Planning Organization, State Institute for Statistics, etc. that are in continuous communication with Treasury, so efforts should go parallel to the activities in Treasury.

**Treasury Information Systems Projects**

TDSP was initiated to enable both access to and presentation of required data timely and accurately, which was not feasible before. As people gathered information by personal efforts, 2/3rd of their working time was spent on data collection. Therefore, the program should serve to facilitate sub-activities of main processes. This could be regarded as partial BPR attempts since some processes are designed from scratch.

The resulting difference is a performance increase achieved by automation only, but the user will probably return to the old system. Users should be enforced or motivated to utilize the new facilities, otherwise nothing will be achieved. Currently, all people involved including the developers are not motivated at all, and participate in the projects just because this is their job—they are told to do so. This also reflected in the leading person issue: it is always someone also giving the momentum, yet it is usually among those assigned.

**Areas of Improvement**

The public sector, personnel / civil servant policies need to change. Power and responsibility should be delegated to the operational level, that in turn will increase the self confidence of the staff. Generally, there is the responsibility but no authority. Then, people avoid undersigning any decisions. In Treasury, there have been some
improvement in this sense, but based on personal efforts (e.g. Bahar Şahin, the former Deputy Undersecretary, and Cüneyt Sel, current Deputy Undersecretary). These persons have started something and led the change, but it would never be sustainable and institutionalized unless the legal status is changed.

As I said, currently the top management is very open. But the hierarchical structure should be disassociated from the conventional public sector organization towards a flatter structure that eventually leads to delegated power.

If this delegation (plus that of responsibility) existed, the current structure could have worked. This fails now for reasons like avoiding responsibility, lower levels should have some leeway, freedom and decision making chances.

As far as the communication is concerned, it may not be as sufficient vertically as the horizontal communication. The latter is intensive and sufficient. Even the TDSP experience shows the deficiency in first: The program is of concern to the whole organization, but while the steering committee meetings should have attained mutual communication, and should have been conducted twice a year, it was not so. The communication is affected by the relative attitudes of general directorates towards each other, the projects' being regarded as imposed, lack of interest and commitment.

Generally, R&D departments are viewed as unnecessary and treated as a step-child. This is not 100 per cent true for Treasury, but there is still some underestimation.

Motivation? It is the career and power for senior management. They are traditional civil servants with job security. This is more true for the operational level, accompanied by the prestige of working at the Turkish Treasury. Taking DPC as an example, it is seen that technological facilities are highly available, sophisticated tools are present, leaving a lot of room for self development. But the job itself is specific, although results are not reflected back to the persons in the short term.
Ferhat EMİL
General Director
Economic Research Dep.

Separation of Treasury and Foreign Trade

The two organizations were actually separated on political will to create jobs for senior management. Now that previous posts were doubled, a lot of promotions were done. Creating flexibility for Treasury is just an excuse.

By the split, job and corporate identification increased dramatically. In 1983, there was a reason for unification, but corporate identity never developed. Even the newcomers were affected by the senior staff and there were two different corporate culture/identity. This is seen by the different logos. This was the positive effect, but actually about 1 or 1.5 years are lost until the gears are turning again. And, organizational problems were faced in those departments that served for both sides.

The processes did not change at all. Now there are more senior managers. On the other hand, along with the increased corporate identity that contributed to the corporate culture and with the pressure of increased exposure to media senior management felt increased responsibility towards the subordinate levels. Image of Treasury is improving.

Once this decision was made, information should have been provided. The level of uncertainty was incredibly high. People spent all working time in discussing and speculating about their future. The effects of transition varied in degrees. Some departments, under the effect of their "working culture" did not stop work (e.g. accountancies continued payments although they did have any authority for some time) and some did (incentives ceased). Uncertainty among staff about their own future was very detrimental.
The immediate effect of the separation was a turbulence which is gradually declining, but still continuing. In the meantime, however, it could be possible for some plans that existed only in certain peoples minds to be implemented (e.g. training sessions, seminars) mostly in contribution to the institutional identity. There was a change in managerial approaches and mindset.

**Concepts and Relevance of BPR**

The main function of Treasury is to find money and make payments. And secondarily it has a regulatory role in coordinating the money movements. Doing all involves processes that are mostly not on the basis of established procedures. Mostly they are “virtual processes” transferred to next generation and are not documented. Many of the work is done through friend-of-a-friend relationships. For the first time there was a job description documentation.

Skills are transferred from the master to the apprentice as unquestioned rituals. So no one is complaining, work is done in this manner anyway. Even if half of the middle-to-top management left, work still would continue without a problem. Everyone would like to have processes changed, but somehow it is never done. Change in processes can not be measured since nothing is written down somewhere. Plus, the Murphy Law is very much descriptive for the general attitude: "If it is working, don't try to fix it." The current problem area is in decision making, processes would follow it.

It would be nice if we changed, but we don't know where and how. It is necessary that people involved feel they are a part of a re-engineering effort and know their contribution. Second, they need to know that it would improve the profile and image of their department / organization.

For example, until we had the first PC in 1984, we would fill in huge sheets to keep track of payments and collections, etc. which required lengthy rulers to read. It took
all our time to prepare them on typewriters, then to attach forms side to side, and correct mistakes. We thought we were doing a very important job and it was not before the PC when we figured out that we weighed manual laboring more important than brain work. This showed that we are not like we were used to be - the most important expectation would be a change in image. That would be the leading point.

Indeed, BPR can be implemented in Treasury, provided that the first pre-condition of top management commitment is fulfilled. (All it takes is "Do it, I said" and "your wish is my command"). Responsibility is taken at the lower levels, it is not by initiatives. Bureaucracy works reactively. Sometimes pressure for change comes from bottom in which case senior management gives directives in that direction.

In public Finance Department, for example, the middle management will be abolished, depending on how much the senior management is determined. This is possible as long as people feel confident, that is, in the first place they will not have to forego their financial rights, and they will be taking on new functions.

Currently the Economic Research Department (GDER) continues bringing change. It provides means for the main processes to be performed not only on the basis of experience but in a contemporary and perhaps scientific manner. They help others *making things easier for them* and providing support and researches. Previously it was a department doing parallel works (with others) but with the restructuring its importance increased and became such a department that provides a perspective for others in the mid-term but not taking over *their* work. Its more like a moderator and coordinator. It has been similarly leading the TDSP projects with increasing user participation as concrete outputs are achieved. Normally, change either comes from lower levels by the advocates' influence on the senior management. Otherwise, it is induced top down. In the Treasury case, it was both, as those at the lower levels with a change / improvement oriented open
mindset became seniors (esp. after the split). Accordingly, now there exists sufficient commitment and necessary grounds (the conservatives are few in number at senior levels—currently).

The public sector in general needs to be re-evaluated seriously. An analysis and perhaps a change is required. For example, no one examined the effect of customs union on the public sector (i.e. how will foreign trade departments have to be reorganized, etc.) Therefore, BPR is actually needed (and is appropriate) for the whole public organizations. Resistance will always exist, but the delaying factor would be the rigidity in moving people. Within the next ten years or so, both the processes and the minds should change substantially.

**Treasury Information Systems Projects**

Within the program, the database management side has been the most interesting to many since that was the most urgent need. It just facilitates life for the staff. But the intention was to increase analytical capacity, strengthen the institutional development by focusing on training. It aims to make available the information and analyses that form the basis for decision making process.

If the Treasury is to be responsible for the economy, monitor financial and money markets and develop sophisticated comments and use them, produce information, and walk around as an expert then it has to know why it is doing what it does currently. This project aims the "why". Since the databases among sub-objectives will be examining the processes it will have an influence. The project teams, at least within the DPC can be examples of BPR efforts. When it first began with the external debt project, the program introduced new and different concepts like project board, testing, debugging, deadlines (!) etc. It introduced a different set of mind and procedures. Expansion of this will lead to
process re-engineering. Especially the human resource planning (implemented for the time again) should be reflected to other units also.

Motivation within the DPC is mostly career development. As far as the projects are concerned, it is more like the satisfaction from creating something. This requires appreciation of both senior management and users. The motivation on the user side is to be able to sell it back to immediate supervisors plus the drive for learning, as well as the idea/confidence of work becoming easier. Leading factors for the program is two dimensional but weight is at DPC. Project team leaders should put their weight, be patient and modest. The senior management relations with end users are affected by personal relations. Top management on the other hand have to be committed (fixing loose screws each every time). The contribution from external consultants has been important as the cement factor since the concepts were new.

Areas of Improvement

The deficiencies were explained before. Officially Treasury works as a fire extinguisher especially in regard to top down vertical communication. The uncertainty at political (ministers) level distorts effective communication. Agenda can not be specified and transferred down through existing channels. Lack of a clear, defined policy and behavioral norms force vertical communication to be conducted by phones. Nothing can be formalized, all things are on ad-hoc basis. Virtual establishments change daily. Horizontal communication is at the personal relations basis. People do not know what their colleagues are doing, and they know the specific portion of a function that they are performing. People are sometimes appointed to wrong tasks. The mismatch arises, to some degree, from the complexity of regulations. Decision are always made in meetings and as committees as everyone knows one issue and is insufficient in the others. In this manner, one to one responsibility is also avoided.
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Tasks and duties are not still clear. There is room for improvement in human resource management and job placement (criteria). Political uncertainty is always a negative factor especially on the senior management.

The driving force for senior management is the prestige (increased after the split as Treasury became more exposed individually), and power. At lower levels it increasingly becomes the training and education and opportunities for self development, as well as financial status plus assignments abroad. Being able to access first hand information, senior level contacts (including international contacts) increases the addiction. Lower levels have that civil servant mentality. Some technical departments like DPC, one can talk about specificity but for others, the administrative and professional positions are operating solely on appreciation from superiors. Rules and procedures are very complicated and does not leave much room for true performance measurement and rewarding.
Separation of Treasury and Foreign Trade

They had two different and clearly separate institutional goals and approaches in meeting these goals. Their dependence to each other is only in terms of sharing some information and input-output relationship. This caused different and massive workloads on each which could no longer be coordinated under one Undersecretariat. So, they have splitted.

A concrete improvement has not been observed, yet after the separation. Processes are not defined newly after the split; they are only coordinated to different undersecretaries. The efficiency of that coordination is important rather than the processes, activities or functions. However, the split caused new or additional layers of management. In a modern sense of management, too many layers of management increases the inefficiency as it causes delays in a changing environment.

While senior management increased in number as certain tasks are separated under two undersecretariats, this caused a further specialization of their tasks and might have helped them to "focus more on fewer things". Regarding operational level management, nothing much has changed apart from the body they report to. Some of the tasks may be added or excluded depending on the new structure of their directorate, though. But in terms of bringing new concepts, there is not much modifications.

Since the "change" faced is not a dramatic one, no prior "change management " programs were necessary as a preparation and it did not create much negative impact on the staff so preventative measures were not required, as well. Only the Undersecretariat of Foreign Trade may think that they will be left behind. If this is the case, their staff
should have been motivated that they will be more autonomous and focused in their tasks. Apart from absence of negative impacts I have not observed any progress or change to be considered as "benefit".

**Concepts and Relevance of BPR**

It is not clear what the main processes are. Does Treasury really have those main processes that are well defined, structured and consistent, or is it just ad-hoc tasks assigned by the government depending on the current policies?

For the ideal case a need for self autonomy is observable. The bureaucracy is required to be diminished as well to speed up the processes. By that way they can respond more efficiently to the changing global and Turkish conditions. People should be proactive rather the reactive and more dynamic however, since the expected role of Treasury is not to "make profit" or compete with other Treasuries need for a change for process improvement is not felt practically. It seems that all the personnel are quite qualified and talented but only thing expected from them is "duties as told, without questioning". In fact there are nothing to question!! If Treasury were a private profit making organization, it definitely would need to have a big transformation, but since it is not such re-engineering efforts will be wasted and useless.

BPR is not feasible at all in Treasury. No one will believe the need for that, firstly. Secondly this would mean losing certain levels of management meaning power, status and money. As operational level is concerned, they are so demotivated or adapted to this "hierarchical and unthinking" structure, they do not care. So, without commitment from neither level, how can you change something. Besides, the concepts of BPR such as competition, benchmarking or defining tasks as continuos processes are not applicable to Treasury functions and way of functioning. If it has to be implemented in any way, then
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top management should be convinced to give full support and operational level should be motivated again to ensure they will be better and more efficient.

Similar issues listed above are also valid for other public administrations. Basically their culture is a big obstacle against that (i.e. change). Legal basis could be changed if it is one of the barriers however, commitment of government and state policies and politicians is the most outstanding obstacle.

Treasury Information Systems Projects

These projects aim to coordinate the processes and enhance and speed up the communication between units. This in return, will prevent duplicate efforts or fill in the missing points. But they are not BPR attempts at all. They may support or involve concepts parallel to BPR but they are not re-engineering efforts themselves.

Commitment and support to the projects are also very necessary to the implementation and improvement of these projects. Perhaps top management carries a hope that they can change something into a better way. Personally, I think that they are very "big" and brave people.

Who leads the activities? Well I do not know. That means its either case dependent and varies, or no one leads anything and things just happen themselves, one initiated. It has to do with senior management efforts that have assigned certain tasks.

Areas of Improvement

The roles should be defined again and responsibility and decision making authority should be distributed to each level with an increasing order as management level increases. The organizational culture should also be changed a bit. Higher management is just more experienced or knowledgeable people but they are not superior or kings. The
Appendix - Interviews

Operational level is as much talented as them, but they are still learning. They also have
and should contribute much to their organization.

Currently, in their positions the senior management is so comfortable and used to
the existing structure that they do not want any change, so they are not as open as they
seem. This is further supported when one considers the level of communication from top
to lower levels. It is not very open, clear or very comprehensive. Messages are conveyed
partly (assignments are given without justifications or their purpose that serves for a
certain policy). Top to down communication is not fulfilling an information dissemination
function, but reporting from bottom up is more informative (because that is a have-to-do
type of task) Horizontal communication may be better but that is not because of a
structured communication I think it is due to personal relations.

A similar case is reflected at the horizontal communication at senior levels. It is
very efficient currently, but any cooperation should be supportive not competitive.

As far as the motivation and job specificity is concerned, I think the most
important factor is the education opportunities offered by Treasury (domestic and abroad).
Higher management on the other hand is fond of the power and the status they have.
Additionally, once they have worked for a certain time at the Treasury it would be very
difficult for them to adapt to private sector conditions. Specificity increases by the
managerial levels, the higher one is in the system, the more specific their tasks and
rewarding are.
Separation of Treasury and Foreign Trade

Under the previous organization, the Undersecretary, Deputy Undersecretary and many of the senior management have always been from the Treasury side and this probably created a negative feeling among the Foreign Trade side. The relative weight of one side in an organization that aggregates two institutions of different backgrounds within the state mechanism can result in biased applications. Technically, the business processes of minor side would be affected from the differences in administration and approaches. This is seen in the structural differences of Treasury and Foreign Trade where, the Treasury is more state oriented (dependent on the regulations) while Foreign Trade is involved much more in relations with the public sector that requires more flexibility then Treasury (side management) can afford. The technical top level support would again be limited as influenced by the backgrounds and unfamiliarity with the procedures and language.

At the secondary level of importance, the separation was caused informally to be able to create new general directorates and new staffing positions. This implies that along with the contraction policy of the Government, it continues to grow within.

This was not a rational decision as the split hindered the institutionalization process, since it came about at a time when some procedures had just been clarified recently (recruitment, examinations, etc.). The above mentioned problems could have been resolved individually and for technical problems, a level of detail could have been attained instead of separating the two institutions without necessary measures.
The separation did not contribute to Treasury's business capacity in regard of daily operations. I do not see any improvement. The only concrete consequences are observed in Public Finance and Economic Research Directorates: The SOE Department has been detached from GDPF and reorganized as an individual General Directorate. This is very nonsense while we are in the middle of a privatization process, for which the responsibility lies with the Privatization Agency, not us. The mechanical workload is already at the PA but on the financial side, the flow is still through the GDPF. This is an unnatural fragmentation of the process. The second outcome of the separation is observed at the GDER, which is divided into two. The Data Processing Center had to be separated along with the General Directorate it reports to, where common processes should take place. There is unnecessary tension that still continues (the new department heads are fighting over the LAN vs. Mainframe systems, the latter being very outdated and ineffective for Treasury purposes).

The middle management have made all the necessary warnings to the senior levels but many are ignored. There should be a compromise and agreement among the seniors which depends on the managerial capacity of the senior level - this will be seen in the long run. There should be planned conflict resolution / management and the artificial separation should be communicated to lower levels. Presently, management is carried away with the existing tension, e.g. which side gets more benefit out of the TDSP.

In a political uncertainty environment if more than one different views are represented radical changes may be required.

Concepts and Relevance of BPR and Treasury Information Systems Projects

The core process for Treasury is the Public Finance that deals with flow of funds, relations with the budget, internal and external debt management. Since the Foreign Economic Relations deal mainly with loans that are basically the World Bank loans, are
diminishing the second main process becomes the Bank and Foreign Exchange Department operations (regulate, monitor and intervene procedurally).

There isn't a big need for change in these processes as the processes in daily business management are not very detailed and complicated except for the above two. The role of GDPF in budget is dependent of Ministry of Finance and State Planning Organization. Therefore, in order to improve budgeting, there should be a radical change. Here, Treasury does not have enough power alone and the process should be considered as a whole with the three institutions. Their roles should be defined and processes need to be redesigned accordingly. In my opinion this is where BPR is needed. On a micro level, some procedures could be improved like accountancies and information flows regarding domestic and external debt.

It is very very difficult to eliminate current positions, as they are regulated by law. You can introduce big changes as long as you provide technical infrastructure and make life easier for people in daily work. This requires a top level of communication and training to show the benefits of the change, and also requires you do not move people downwards. For example, we are going to introduce a document archiving system that will affect many of daily tasks, but when the mid to long term benefits are communicated, it will be accepted. It is the responsibility of middle management to ensure top management commitment and support. They are open enough and the environment is suitable.

Accordingly, BPR concepts are relevant for Treasury as long as you don't take too radical measures (e.g. eliminating some of the higher management positions or foregoing institutional rights). The civil servants are used to the job security, even there are some attempts within privatization but you can not reduce the Treasury of 1200 people to half the size. You can not even move an employee who does not come to the office at all. It would not be realistic to implement changes that require sharp measures. That is, if
you do not shake the boat too much it is feasible in the form of improvement. The degree of change depends on the working culture, some resistance will be overcome by training and communicating benefits through persuasion, but one should not force the legal basis too much.

The TDSP has two dimensions, one is the technological side targeting DPC, the other is the training oriented institutional structure. This can not be considered as BPR attempts. These efforts aim at facilitating daily life. The databases constitute an important improvement but processes themselves and the way business is done remain the same. To be able to expand the span of change and truly implement it, senior participation in the process mapping, as you agree. Participants currently take it as a task, just because their job demand it. No motivation.

Mechanically, I am at the leadership position for the Project activities, being responsible for DPC in general. But this is not my full time task, I just assist in conflict resolution and monitoring the progress.

Areas of Improvement

I believe Treasury could be operated with only 200 staff as a very elite organization, that produces only policies and strategies. All department heads and one level higher should be eliminated to achieve a flat matrix structure. To enable this Treasury should be relieved of the daily work load and function like the US Treasury.

The problem is that, Treasury is the highest organ so no one can monitor and question it. If this is the highest place in economic management, with the power it holds it can move to a position where it increases its weight in the economy. But that is a utopia, we need more rational solutions and measures that remain more or less within the current frame. There should be some change introduced on the basis of general directorates
individually, and necessarily including job analysis, job definitions, requirements, skills inventory and requirement analyses, and, performance appraisal.

Limitations like the personnel law affect the flexibility, for example, employment contracts are standard. They should be different for each person, in which case it will contribute to the utilization of human resources and job-staff matching. Training should be aligned with organizational requirements and personal development needs. The uniformity affects motivation too. Also the lack of job descriptions and definitions reduce the level of specificity.

In the long term, top management should be changed. Currently they are open to change but up to a point, as long as you don't push the existing regulations. Otherwise, it will be very difficult to persuade them.

The level of communication in Treasury is dependent on the persons. I personally have no artificial walls but that is not valid for everyone. So communication for me is sufficient and effective. But interdepartmental communication and cooperation needs a little bit of improvement in general.

The motivation for working with Treasury basically stems from getting used to the public sector. We have been trained this way and our education was oriented for public service. And after 7 or 8 years, private sector would be very difficult. Afterwards, your choices are narrow, your preference criteria changes. It was a coincide for me to start with Treasury, but for many of the operational level it is the education possibilities and prestige (improved by the debt and open market operations). I have also heard that the building is attractive for some, considering especially the other public sector environments.
Separation of Treasury and Foreign Trade

First, it should be noted that BPR is a must in Turkey in regard or structural requirements. The real gap is in the central authority definitions, as the authority is centralized, work flow is also controlled centrally. The attractiveness of being in control creates problems and leads to inefficient use of human capital.

Indeed, neither the separation of the organizations not their unification requires and BPR. They were both done on emotional grounds. And, if organizations are emotionally structured all units could be under the same body, it does not matter. The problem is the "well defined organization". If this could have been done, it would give a chance to more effectively control the distribution of labor that in turn facilitates institutionalization.

All public sector operates reactively, needs an input and driving administration to move. In this case the creativity is hindered and long term thinking is not feasible. People concentrate on saving the day. Everyone complains about the work overload. In this case, there is either insufficient number of staff, which can never be the case in Turkey, or, there are no job or task definitions. If this is the case, then integrating or separating institutions can only have emotional bases, but not efficiency or effectiveness concerns.

The same is valid for the SPO also. The main concern for the staff transferred from there has been "how do I outdo others?". This superiority approach stems from the lack of clear job definitions. This was reflected by the split: Foreign Trade complained that the Undersecretaries have always been from the Treasury side and since they always dealt with the economy, exports could not be improved sufficiently. If the authorities and
responsibilities of deputies were defined, such an argument would never find its way. Due to this psychological pressure of Treasury biased undersecretary concept, the two groups could never be integrated in the real sense.

Being based on emotional justifications, the separation did not create any improvement, while the damage has been the uncertainty. Had the organization been institutionalized, it could as well be attached to the Ministry of Religious Affairs, it would not matter at all. The unavailability of business job definitions necessitates BPR. If the aim was to improve the government implementations, the BPR approach would be appropriate. However, the result was the personal methodologies of a limited number of people. There is no need to put the state under such a big load of uncertainty. Demotivation has been massive.

The unification too has been an urgent decision without a methodology. The biggest change was observed in the foreign exchange regime towards a liberal regime. The developments of relieving procedures from special permits, convertible currency and so on were soon forgotten among the struggle to dominate and resulted in institutional conflict. In Turkey every institution believes that they are the best to their job and do not want anyone else in their playground.

**Concepts and Relevance of BPR and Treasury Information Systems Projects**

All the above changes are enhancement studies and far from BPR. There is a failure detected somewhere that gave rise to the enhancement need. But with the current staff and organization any improvement attempt will always remain insufficient since they would be limited by persons. Mathematical expression for this concept would be "circular reference". It would still work if the circle is consistent but X is never equal to X+1. Therefore, when a limited number of decision mechanisms try to reach a result with
individual corrections, it would lead to failure. Local optimums do not imply a general optimum.

The requirement would be a simultaneous zero balance technique, that is BPR. The framework should be established with objective definitions simultaneously while current operations continue. The matter should be handled not on an individual institution basis but holistically under the government structure. Individual actions taken by Treasury or SPO would lead local optimums that suffer in the long term.

BPR is a must, that's for sure. First the current structure should be analyzed to determine defects in implementation/operations. Then, proposal based scenarios should be developed to find out what could be achieved in doing which process in which manner. Thereby, the pragmatic nature comes to the front for radical change proposal developed. There should be a rational idealism, proposed change should be implementable otherwise local optimums would not extend beyond personal shining, short lived heroes. A totalistic optimum should be the objective.

A holding company would develop local enhancement policies and if it does not work, it may go for a radical change. This should be the government policy to ensure process consistency. I am not in favor of this to be implemented in Treasury alone, I believe the biggest mistake in TDSP is its independence from government implementations. If functions and operations and the organization itself was well defined, there would not be a need for BPR. The technocrats develop the policies on one hand and operations implement it. As long as the first group developed policies that it does not know where they lead to, it can not see the results and there would be no motivation which brings a reactive approach. This approach in turn is detrimental on the implementation. A sustainable and successful result can not be achieved unless BPR is a government policy. Accordingly, TDSP is effective as a pilot study but the internal methodology is wrong.
Processes are still reactive. The processes and interlinked project objectives and establishment styles should change. Consistency of input is more important. Many people here think that this is BPR.

Phases of BPR should have been followed within General directorates and the most accurate information sources should have been analyzed. TDSP is an effort to improve tracking of Turkish economic agenda not to create a database rubbish. It should achieve 100% effective information for state decision mechanisms with the most accurate data, including the information providers' responsibility. This is very well done in the private sector banking system - there is a smooth and timely flow of information (no branch manager leaves the office before seeing the daily cash balance). If it is done there, it could be done here too.

The second point is removing duplications. If this is not achieved, then we would be doing what everybody else is doing. This is the reason for nation-wide implementation. Since the information flow is not smooth in government, every unit maintains its own data (plus the collected data). If we could utilize the state library efficiently, we would not need to invest in a library here. That would also enable better utilization of resources.

BPR could be accepted through pilot studies. It could be implemented nation wide in the public sector but first, success should be certified. Therefore, pilot study should be free of errors otherwise, it would not be people but the technique to be blamed as "It just does not work." Thus, it should be started with knowledgeable and committed people, else, the result will be enhancement-re-engineering chaos. It should also be noted that not too many pilot studies should be made and a general implementation should start for the whole public sector.

The work undertaken in the Treasury to have a training center (the coffee shop) was indeed mostly pushed by the World Bank, but it should have been established before
when the need was first felt. On the other hand, TDSP could be regarded as an appropriate pilot study, along with its mistakes. Even the existing documentation is sufficient to enable a comprehensive implementation on a larger scale. What is required in parallel to BPR is training because you are introducing a big change. In Treasury this has been achieved by the external consultants as on-the-job training.

Areas of Improvement

No project can succeed without commitment. It is the difference between a floating piece of wood and rowing. That is, you need the rowing skills, then you can achieve improvement in almost any area.

When the idea is expanded, team work becomes more important. The lowest level motivation is necessary for implementation. In developing countries the principal measure of motivation is the salary. In order to push this to a secondary level you should be able to offer people such projects that they can believe in, do not limit their creativity and that make them feel worthy. This again requires delegation of authority supported with team work. In Treasury, you can see a reflection of general government policies, with minimized initiatives (including creativity). It is summarized as: Policies are created, if approved, they become work flows.
Prof. Karl HASENRITTER
GTZ
Project Manager

Separation of Treasury and Foreign Trade

The Undersecretariat has been established as a powerful instrument in the Özal era. It was needed at that time to push through a new, innovative economic and financial policy. Functions of the Ministry of Finance (MOF) and functions of the Ministry of Trade (MOT) have been combined to enable a mix of instruments that was necessary to conduct the new policy. The former Foreign Trade part never could identify with the new organization. They felt dominated by the Treasury part. Since 1988 when I first came to Turkey there were always rumors that the organizations would separate. The Foreign Trade part successfully managed to use the 994 financial crisis to legitimize that this organization was not needed any more and should be separated. At the same time bureaucratic circles in the MOF pushed very hard to get the Treasury functions back to the MOF and the outcome was very narrow. Only in the last minute Treasury managed to remain an organizational unit within the Prime Ministry.

I still see a need for one powerful institution like it was before because Turkey has to implement radical macro economic and fiscal reforms in the next years if the political system wants to survive. Personally I believe the effects of the split on the overall organization have been negative.

Looking at the functions and processes which had been common to both parts of the institution like EDP, research work, incentives policies, the effects were like a disaster at least for one year and it is an open question if the organization in these parts can revive or even improve the professional level they had established before. On the other hand both organizations developed a new identity and it was symbolized from the early beginning in
things like creating logos, hearting each other in meetings and during lunch time. Therefore there is a clear chance to develop a new understanding of professionalism.

The senior management was mainly engaged with in-fighting between Treasury and Foreign Trade parts. This took a lot of time and it ruined many personal relationships that had existed on a personal friendship basis before. On the operational level there was complete agony. The people did not know to which part of the organization they would be transferred. Decision criteria for transfer were not transparent for them, and this situation led to demotivation. Meanwhile operational levels seem to have recovered.

Looking at the preventive measures, first of all both parts of the organization would have needed a kind of moderator to prevent them to arrive at a level of fighting where they acted like bulls. Second, a kind of political leadership would have been needed to prevent negative effects of separation. For example, keeping a common EDP infrastructure and organization in a situation where both organizations are residing in the same building could have been secured by political leadership.

Indeed the split can have some positive impacts in the future. Both organizations can react faster for example if it becomes necessary to get a signature from the undersecretariat or deputy undersecretariat. It is easier now for both of them to develop their own professional organization culture. As both organizations somehow feel in a competitive situation within the Prime Ministry this may also lead to an increase of motivation.

Concepts and Relevance of BPR

I personally would group the main processes as follows:

- Financing of public budget, via external and internal debt;
- Secure cash transfer to a chronically deficit oriented sector of SOEs;
- Establish and maintain relationships towards international economic and financial institutions like IMF, WB, OECD;

- Define foreign exchange policy;

- Control and partly monitor the banking sector (especially Central Bank, Ziraat Bankası and Eximbank, Halk Bankası);

- Control and partly monitor development of capital markets;

There are some other minor processes like monitoring of insurance sector. This one may be seen as a major process as well if we include the social security system in that view Bağkur etc. First two are the core.

Turkey needs a comprehensive macro economic and fiscal program to cut down public deficits and enable economic growth at the same time. In their context there may be an additional need for new processes to be added for example to deal with the overall aspect of public sector reforms like staffing and payment policy.

Generally spoken Treasury is acting reactive to crisis situations coming up and not proactive to avoid them. Processes are performed in a very bureaucratic manner. Formal decisions are taking too long time, include too many actors to be consulted, decision making is not rule based. The most important point is the interaction between the political system (Prime Minister, State Minister, Parliament) and the Treasury bureaucrats. There is any kind of daily interference into matters that would be business of the bureaucrats in more advanced political systems.

First of a clear and accepted definition of roles and responsibilities of the political system and the bureaucratic system is needed. Second a streamlining of business subprocesses is needed (for example less actors to be consulted, delegation of authority to lower levels). Third a more efficient way of doing business should enable the organization
and the staff to concentrate more on the qualitative aspects of decision making. Until now the organization has the tendency just to keep track with necessary bureaucratic procedures.

BPR is only possible if an undersecretary or a state minister is acting on something like a five years period in that respect. This is not the case until now. During the last three years I have experienced four undersecretaries. It would need a stable personal environment on the undersecretariat, deputy undersecretariat and general director level where the major actors agree on the agenda and the targets of a major reform effort. As usually all over the world this would create a lot of resistance especially on middle management levels but this could be overcome by strong high level management commitment.

Implementation is a two fold approach. Top down with a clear target system from the top management to be achieved by the organization. Second, bottom up via qualification, motivation, encouragement, strengthening of lower staff levels. They have to feel responsible for that process and the achievement of the targets. Efforts have to be initiated by the top under the existing cultural conditions. People don't feel confident until now to start a bottom up approach of organizational development in an open manner. They may express needs for change at inner circles or at private occasions but they would not like to confront higher levels of management or the political system with that view. If they feel that they would not get a positive reaction they would not start sufficient discussions.

The top management support would be not available right now because a stable government is not in place. The first precondition would be a government that really is willing to overcome the actual challenges and looking forward for a four or 5 years period of radical and substantial change. Second it would need the same stable personal
preconditions on the undersecretariat, deputy undersecretariat, and general directorate level for a comparable time period. Some additional finance would be needed and could be secured by reallocation of existing funds. A more flexible behavior of the MOF would be needed in that context (not taking away all the savings to be made).

BPR is of high relevance for public administration in Turkey. The actual public administration does not fulfill the service demands of its citizens. Public administration is highly intransperant for the citizens and necessary interactions can only be handled successfully if you can secure necessary personal connections via friendships, family relationships, bribes and so on. Legal basis could be changed easily. A common understanding for the needs of the reorganization is there. As the existing intransperancy is heavily used as a power basis for social status and may be even a source of income change would be very difficult to achieve. It either needs an accompanying broad mass movement or a clear and strong commitment from the institutional elites of the country.

**Treasury Information Systems Projects**

I personally feel that a less ambitious view should be taken at the moment. What can be realistically achieved is a reduction of necessary data entry efforts, more rapid access to existing data, partly improved data quality, partly an improved quality of analytical efforts (esp. macro economic modeling). It is unclear until now if quality of decision making can be improved. Partly an improvement in human working conditions has been achieved until now.

A serious BPR attempt is missing until now because the major focus is not a streamlining of business processes and sub-processes changing roles and responsibilities. But of course the efforts bring more efficiency and therefore partly can be seen as a business re-engineering process.
There should be a rule defined decision making process and working procedure within Treasury. Until now rules and working procedures are changing from case to case. Although this provides flexibility on the one hand it has the tendency that the organization is always struggling with itself, instead of concentrating on the achievement of clearly defined targets and on the simplification of business processes.

According to my understanding, there is a bundle of motives. First the project is seen as a means to get access to a nice office environment like having good machines latest software products and so on. Second, the project enables to build up qualifications and competence and therefore makes people more competitive in the external and internal labor market. Third, part of the actors want to achieve something for the Turkish public interest. Fourth, project enables traveling, attending conferences and increases the own social status in comparison with the other units of treasury.

Leadership: The general director of Economic Research and EDP is the most relevant person in the project context but he can not be seen isolated because he is cooperating successfully with different GTZ actors depending on their specific role in the project activities. During the period of reorganization of Treasury and Foreign Trade GTZ contribution had been partly a driving force.

Areas of Improvement

The organization needs a management style that allows her to change from reactive to proactive decision making process. It needs a career and personal incentive system where good or improved performance is rewarded by the career system and a stable performance of professional functions is the focus of personal development system. It needs clear performance targets (benchmarks) for the major business processes and sub-processes. This has not yet been achieved.
Treasury needs an ongoing organizational development process in the ideal case by a combination of external coaching and internal innovators' efforts.

The major need is the change from a patrimonial style of leadership towards management by objectives. Organization, structure does not matter too much. More important is that different staff level clearly defined responsibility and authority. There is a need for decentralization of responsibility and authority towards lower levels (including signatures).

The top management I personally know is fully aware of these problems however, they don't feel powerful and confident enough to establish a change that covers the whole organization and not only isolated units of personal influence.

Vertical communication is often practiced more than necessary meetings on vertical levels are taking a lot of time. Where short written memos could provide necessary information up and down. Horizontal communication is usually not functioning. General directorates are defining themselves as independent from others. There is no real felt need for cooperation and coordination. How could be strengthened via new mechanism of coordination like project teams, working groups, committees etc. that are established beyond the classical hierarchical levels of command. This has been the case for TDSP projects.

For the Treasury personnel, one major interest is foreign posting. The second is influence on political decision making. Third is the social status. I would judge the three equal. Salary is a negative factor as long as foreign posting is not on the agenda. The further you go downwards the more social status and fringe benefits become relevant. Working in Treasury increases the social status in the view of others.

A major weakness is that clearly defined objectives and indicators how to measure them are not existing. Major actors have the impression that promotion and survival within
the organization can not be calculated respectively forecasted in a rational manner. You get promoted or fired (isolated) by accident, in an arbitrary manner. This makes people feel uncertain and usually puts them into a waiting position, before doing something they prefer to wait for decisions of others.
Separation of Treasury and Foreign Trade

There was no officially declared, justified reason for the separation. The rumor was that the Undersecretariat was too big and under the dominance of Treasury side, the management was not flexible and efficiency low since sufficient importance was not attached to Foreign Trade. In the background, it could as well be that the relative weight of Treasury people was higher in both the internal promotions and external postings, in that Foreign Trade side got fed up. Since the unification itself was not very rational, an institutional culture did not develop under the artificial integration. Additionally, a foreign trade campaign started on the assumption that most of the foreign postings would remain with their side. But it did not turn out o be so. There are also personal ambitions too. For a while it has been discussed whether Treasury should be reattached to the Ministry of Finance and since for example, the State Minister responsible for Treasury had a Ministry of Finance background there were external pressures from the MOF also.

I can not say much for improvement effects as usually the operational level can not see the whole process, but probably the load flow from Deputies to the Undersecretary must have been reduced. Additionally, since the functional job definitions were so different that it did not cause a big difference. The Undersecretary was one in external representation but at the deputy undersecretary level, there was a functional separation. An effect on image and power could be discussed in that, before Undersecretariat was a power above most of the ministers, now this has been decomposed.

Any difference in senior management is not observable, the previously involved people are still there. But at the operational level, there may be some more, for example
there is a core group at the GDER and it looks like more efficient work can be done with less people now. This was not very systematic but a lot of ineffective (not personally) staff were transferred to the foreign trade. There was also the coincidence of recently initiated analytical studies. These, on the other hand is a quality difference, not process.

Since a clear objective and expectations were not declared for the separation (the political authorities did not bring an objective statement) and everything happened ambiguously. With the absence of objective statement, no advance preparation was made. Even at the separation phase it was not clear whether Treasury would go back to MOF or not, or where some departments like the former units of SPO (incentives and foreign capital) should be attached to.

Some preparations already require by nature a government level activity (like personnel policies) and can not be made individually within or by Treasury. What could be done inside would concentrate more on efficiency. First job descriptions should be made to reveal why we are doing whatever we do. Efficiency could then be achieved at the Undersecretariat level but effectiveness requires some arrangements between institutions (including links with SPO and Ministry of Finance) and extending to the whole public sector.

During separation a new structure could have been established from scratch but Treasury was dealing with her own problems of returning back to Ministry of Finance, etc. On the other hand, both Treasury and Foreign Trade were acting together towards third parties, e.g. Incentives and Implementation is a big pie and everyone demand a slice. Eventually, everyone saved their own position but "what kind of a Treasury do we want" was not discussed at all. Finally, in the establishment law, in face of uncertainty about the future, some gray areas were defined that are open to different interpretations (for
example the European Union; with one or two sentences among description of duties, Foreign Economic Relations Department reserves a voice in EU meetings).

**Concepts and Relevance of BPR and Treasury Information Systems Projects**

The major processes of Treasury are:

- Budget Finance and Cash Management (Gen. Directorates of Public Finance, SOEs, Foreign Economic Relations)

- Financial Market regulation (Banking and Foreign Exchange) and

- Investments regulation (Incentives, Foreign Capital)

Logically the deputy undersecretaries should share functions in this manner also but personal differences and a potential imbalance of workload prevent it. External and domestic debt are managed under different deputies however, financing of external debt is raised by internal debt. Before the separation both were under the same deputy secretary and there were no problems of a power imbalance. Backgrounds of deputies are influential in these delegations.

Considering change in the processes themselves, as the lower levels do not have a general view of the process itself, it could be better judged by the seniors. However, a financial management based on MIS is not too far from our operations. On the other hand definition of a treasury and its functions is very unique in whatever country it is. Accordingly a very big change is not needed in the business and information flows but side processes require efficiency improvement to eliminate duplications. When a coordination among general directorates is achieved, research staff will no longer be keying in figures into tables to produce bulletins.

The major change will be required in the personnel policy and it would be very difficult for that law to be modified for Treasury only. But, Treasury can stay away from
some populist policies. For example, entitle (and compensate) people as specialists only when they are really so. Professional and administrative staff difference should be preserved. Improvement in such areas are possible but within limitations of political pressure that threatens durability. More specifically, Economic Research department should really be involved in research and analytical studies to become a unit producing policies.

The obstacle is the current understanding that undervalue the department. The culture has to get rid of the fear that GDER will take over their jobs and it requires more than 0 km. assistant specialists to deserve that position. A higher qualified, experienced workforce is necessary as well as a professional consulting and management team to provide guidance. Recruitment should be done differently. Now the person filing out the eligibility form and the other performing macro-economic studies are taking the same tests. Recruitment should be more academic and foreign postings in a short period should be prevented. Maybe different salary levels would be a necessary incentive as implemented by the Central Bank once. These could be regarded as re-engineering efforts maybe, but the rest would be merely improvement.

BPR is not within TDSP also, it is rather technology improvement oriented. Data management system is not more than consolidating and centralizing data stored in individual PCs. Analytical capacity on the other hand provides courses for 70 “most promising staff”. The objective is not macro modeling only, but to link analytical studies by training; that is skills transfer from international consultants. Otherwise, we already had a lot of courses available but they were regarded as rewards rather than a coordinated study for business requirements. The projects were introduced to regulate this coordination and it included database development in addition to institutional development. But database side moved faster despite what was planned, with personal efforts of a bunch of people within GDER. There has been deviations from World Bank Project Charter, for example,
career planning was not made. Efficiency may be increasing but effectiveness is forgotten in the implementation. Some of the proposals on the other hand were not feasible in regard on inter-directorate relations. Firstly, the resulting senior to middle level turnover would be very high and there would be authority transfers among general managers. The courses were indeed more of a reward nature than human capital investment.

Areas of Improvement

Firstly the personnel policies should be rearranged with larger coverage for the public sector. Then Treasury specific foreign postings and long and short term training should be coordinated. Criteria for training should be more sound. These do not involve legal rearrangements but are measures to be taken in implementation. A pool of human resources could be established and promotions or assignments could be made out of the central system within the framework of requirements directed for specific goals. The loop of rewards being demotivating factors for others should be avoided. If clear criteria do not exists, it will be detrimental on the team work. Individual competition hurts all sides and creates efficiently performed ineffective activities that increase the overall damage.

The role of economic research department needs review. Previously the Main Economic Indicators bulletin of Treasury was published by GDER but that is not a Treasury product. It is a compilation of collected data. But as the units did not share information, Treasury data (used internally or as government reports) were developed by the Public Finance. Therefore, automatic access to data by GDER is nonsense as it is already available out there in the market. The implied level of inter-departmental coordination is not zero but requires improvement. Currently the coordination and communication is too personal. If the directors are friends, they communicate good, if not bad. It is not formal nor institutionalized.
Even a reporting and filing system does not exist - no formal information flow. Some reports flow on personal efforts and relations and reentered into computers. As far as a central database is concerned, it is true that access rights are till ambiguous. Who will be able to receive which information? This is not clear and will end up in the same system in which case we do need neither TDSP nor BPR.

TDSP aims to achieve coordination. If you could have all these activities performed within a strategic plan you would not need all this investment. If projects are not supported by committed people, you will end up buying fancy PCs and activities do not extend beyond employing different consultants individually. Everyone is positive about improvement during discussions but the system does not work due to pressures from both up and down (OK to share data, but then I loose power!) Technology would not work unless supported business-wise.
Separation of Treasury and Foreign Trade

1. Personal opinion as to why the two undersecretariats split is the emerging maturity of each organization, possibly wishing to emulate other countries structures which more typically operate separate institutions for such functions.

Personal skepticism also suspects that such a move was "convenient" for the creation of further power bases, but typically there is no empirical evidence to support this theory.

2. Did the split improve processes... no, not really... I feel that it served to duplicate what were common processes in some cases (and this need not have been necessary as the 'common' areas are frequently outsourced in other business change situations, and used by both parties... its an effective way of scheduling non-core processes).

It also served to add further levels of bureaucracy in respect of transactions between the two organizations which only slow things down, and had the knock-on effect of 'formalizing' communication where in the past informal / network communications (the personal sort) bridged this gap.

Regarding whether this affected the working culture... yes, it did, very much so..... it became an 'us and them' situation despite talk of 'our colleagues in Foreign Trade'...... somewhat contrary to the typical Turkish culture of mutual help, etc.
This should have been managed as part of a deliberate change process to minimalise the effect and is a classic reason for intervention as opposed to sitting back and hoping it will be OK:

3. I did not perceive any difference as far as senior management was concerned (senior management team only) maybe slightly better defined terms of reference.... but there was a difference in the middle management layers of operational layers as you refer them (bit of a misnomer in the Turkish culture paradigm as 'operational' aspects frequently are adopted or carried by the senior management team as well).

There was certainly a continued period of stasis.... or waiting before anybody did anything

4. What could have been done was the:

- Implementation of a deliberate change process to minimize the effect;
- Text book advising people before hand (communication);
- Use of 'unfreezing-change-refreezing';
- Also risk assessment;
- A revisit of strategic intent (definition of vision, of goals of business planning etc.), identification of core processes;
- Removal of non-core processes ... e.g. outsourcing them to a labor adjustment initiative or 'incubated' (in government assisted new industries/job areas) new companies... using ex-Treasury staff;
- HR considerations for staff so that they know what impact there will be on their careers / plans;
- Job sizing, job design;
- Structure development;
- Transitioning via a plan;
- New team development, etc.
While I like Ferhat’s point about not messing with it unless its broken, the unfortunate fact here was that it was unavoidably messed with due to the split and so needed control.

5. Yes the split could have been transferred into benefits...

- It was an ideal time to push through reform ways of working (and still is now that it is accepted)
- It was an ideal time to motivate staff,
- There could have been a down-sizing in the number of staff employed and therefore the reduction of overheads and certainly an increase in efficiency (mind you I don't feel that Treasury is the biggest offender in either of these points as its very forward thinking..... it could just be better).
- It could have sponsored a business planning event which at this time is critical as the next 5 years could force change upon the organization and country.... not least of which is the EU stuff.
- It could have been used as a political vehicle for demonstrating to whoever that Treasury is efficient (a confidence builder in the markets eyes ditto the IMF, World Bank, etc.)
- It could have reshaped the organization.
- It could have efficiently been “a process of aligning people to new directions and inspiring them to make it happen” ..... not my quote but from a chap called John Kettley.

**Concepts and Relevance of BPR**

1. You should group the main processes by either their outcome or the beneficiary . e.g. debt management is debt / government focused... they are types of ‘customers’

Personal view of the CURRENT (note... this could and is more likely to change so needs steady review... say every 18 months) processes are ‘Raise Capital’, ‘Manage Debt’, ‘Manage External Agents Funding’ etc. This needs to be the subject of a process analysis though.
2. No I do not see a big change in the processes themselves, CORE processes will always be with us and exist, yes the none core processes should change (see earlier) but very much in the way they are performed... use of technology as a typical lever is a start.

3. Expectations should be less debt, greater efficiency, reduced overheads, appropriate use of technology, positioning as an international player, etc.

The effects of such a big transformation on Treasury is likely to be reduced levels of chaos compare with the uncontrolled and planned implementation of a change such as the split.

4. The concepts of BPR could be implemented within Treasury... providing local culture is taken into account. In some ways Treasury is and is likely to remain at the center on change anyway, it is unavoidable so better control of that change (e.g. change management side of BPR) is highly appropriate. In this sense, it is highly relevant.

The proposition you mention is a highly contentious one, but let's face it.... not one that is potentially unpopular just in Treasury, it would be as equally as unpopular anywhere in the world or in any organization.

BPR is not just about right sizing or removing of middle layers (though this is desperately what Treasury needs in common with many Turkish and other national institutions).... good process analysis, ownership and implementation is also a worthy cause.

It very much boils down to why you think you're doing BPR. One last word about whether it could be successful... remember that in Treasury's favor is the fact that the culture is one very much of a power-centric one, and somewhat autocratic which is an awful lot easier to implement this style of change than in empowered organizations with confused power bases (e.g. at project levels). This is providing you enjoy one caveat... YOU MUST HAVE TOP MANAGEMENT BACKING!
5. BPR could be implemented on the back of a process improvement initiative resulting from the split, sponsored by the Secretaries of each group and their management teams. Change should be introduced as part of change program and the efforts should start in strategic thinking.... in a commercial company asking 'what business are we in' or in Treasury' case, what are we here for.

6. Yes, I believe the essential top management could be available, but only providing they could see the benefits from them (and there are many). External consultancy is a must, you need a remote person who facilitates this and does not have internal ‘baggage’ to bog the change process down in either personal agenda or history / perception terms.

7. Yes its relevant... see earlier answers as to why and culture issues. In other organizations it has probably less of a chance as they are more entrenched in their old thinking, but there will come a day when the change starts for them so why not wait in that case until the need is great?!

Treasury could provide a role model to others as well.

**Treasury Information Systems Projects**

1. These projects serve as a data collection and management tool, originally intended to be coordinated and shared information but not in practice due to the lack of will and no change management process on behalf of Coopers & Lybrand. They have both tangible (e.g. debt management) and intangible benefits (SOE or Insurance Company monitoring).

2. No they are not BPR attempts, not in terms of complete organization, but they could be used as part of such technology frequently as a lever. It is clear that the analysts were both too naive to recognize they were being held back
from being shown the true processes... especially in the case of SOE, as that information was a powerful tool of the process owners so the project just became a reporting one.

At no time was operational efficiency truly on the agenda of any of our systems, with the exception of Internal Debt which we pushed in that direction with the willing help of the process owner...Emin. Nor there was a cost reduction intent, apart from by accident, and in some cases we may be just perpetuating bureaucracy as in the case of the Banking and Insurance Monitoring Systems which ostensibly are to comply with government legislation (indeed they do in part) but also to provide dubious real added value.

3. They could be improved by use of the knowledge of process analysis techniques and knowledge of the processes to extend this to true BPR. Staff skills would be needed to be ramped up and management backing sought (NOT GD level, above that....).

4. Motivation is quite good... in comparison to other units within Treasury, it is sometimes elitist and certainly has ‘gelled’ or glued together as true project team working, with reasonable clear goals. That is why they contribute to the project activities. Also by dictate!

5....er, pass! Bit contentious isn’t this question?!! OK... the activities are ‘lead’ in figure by Ferhat and also by Cüneyt Sel (Deputy Undersec.) in the past and to a reduced degree now. Operationally they are lead by Karl (Project Leader GTZ), sometimes myself but not always, and sometimes by İnci (Apaydın - Project Manager-Treasury), but that leadership has been piecemeal by all concerned.

If the person assigned refers to Erdoğan (Yücel-Deputy GDER for DPC) then yes that is different to the real leadership.

* Emin Dedeoğlu - Deputy Gen. Director, Public Finance
Areas of Improvement

1. What issues need to be addressed...:

- strategy
- management
- process definition
- organizational design
- HR
- IT control, include, project management
- environmental analysis, scanning and feed to strategy

They need to change because the environment they exist in is changing around them and what was suitable for yesterday does not fit today.

2. What could be done...

- definition of strategy, of goals mapped to government objectives, performance indicators identified to recognize when we have got there, and when to stop;
- development of management team(s) to work as a cohesive group;
- change management to be put in place and inculcated within the managers minds;
- organizational design followed by portfolio management, risk analysis, change realization, benefit analysis;
- links with projects, especially IT ones... use of IT as a managed lever to gain advantage;
- HR to develop new roles, new careers, training and facilitated learning schemes, owned career plans, mentoring, job descriptions, job design, structure development, team development, etc.
- performance measurement linked to management information appraisal, reward and grading systems.
Appendix - Interviews

3. The management itself does not need to be changed but their approaches, behavioral attitudes do. Yes the command chain needs to be shorter to a flatter organization but remember that at the moment labor is cheap... it will not remain so and will eventually become a killer cost.

Process-centric organization and one that is able to change is the best target to fit the future demands and provides the reasons as to 'why'. Simply to meet future needs and to be able to change quickly enough.

4. Top management's degree of openness is quite high... it is a good management team and quite innovative, they are change aware with a few exceptions.

Innovation is welcomed and sometimes seized upon as being the latest answer, but there is slight tendency to not manage the resource.

5. Current communication is stultified, with too long chains of events. It is therefore inefficient.

6. Cooperation is not something I know a heap about between FT and Treasury... it appears to vary from being 'no chance' and entrenched to the opposite end of the scale, frequently involving the same decision makers in being totally 'touchy-feely' and scared of doing anything in defense to their counterparts. A lot of the latter seems to be as a result of fear of /power of Sami Dönmez (Deputy GD for DPC- Foreign Trade) and the effect on the staff.

Another bad example is that of the decisions or non-decisions re. DB', as opposed to be of a single parties interests, they still look to the other party and consider them. All of this is despite there being a protocol in place. Lobbying still exists to try and change the degree or decisions of the other party.
Yes it should be improved for the simple reason that it undermines the reasons for split. How that cooperation should be effected is two-fold... by more formal steering committees with the realization that their goals may be different at times, then spin off into joint / mutual interest projects where necessary (e.g. development of web servers), mutually funded. The second cooperation should be encouraged at personal levels.

7. Not applicable for me to answer this. I would suspect it is a combination of power, political aspirations with good opportunity, money and travel. Efficiency and the good of the country standing / loyalty.

No it seems to hold true for all employees, there is very little alternative career aspiration offered by HR. Maybe technical excellence and good CV could be added.

8. Currently very poor.
Arda Akbaş. Born in 1966, following her secondary education at TED Ankara Koleji, Akbaş studied Management at the Middle East Technical University, Ankara. During her employment with the ILO for the Industrial Training Project on Tourism, Hotel and Catering Industry, she started her MBA studies at Bilkent University. After private sector experience at a major holding company, she worked for the Turkish Prime Ministry's Undersecretariat for Treasury as a consultant, successively for two independent World Bank projects, namely the Labor Adjustment Project and Treasury Information Systems Project. She is still working with the German Technical Cooperation Agency for the latter project.