

**THE IMPACT OF PRIVATIZATION
ON
THE ORGANIZATIONAL CULTURE :
THE SUMERBANK'S CASE**

**A Thesis
Submitted To The Department Of Management
And
The Institute Of Business Administration
Of
Bilkent University in Partial Fulfillment of
The Requirements For The Degree Of
Master Of Business Administration**

**By
AYLİN OLCAY GOCER
September, 1990**

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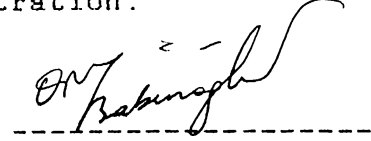
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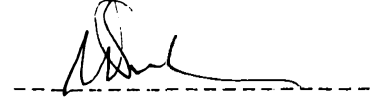
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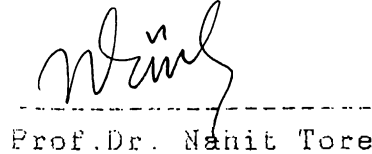
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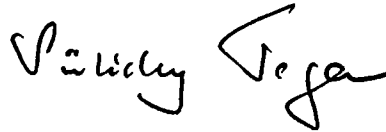
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Approved for the Graduate School of Business Administration.

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ABSTRACT

THE IMPACT OF PRIVATIZATION ON THE ORGANIZATIONAL CULTURE: THE SUMERBANK'S CASE

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While privatization has been well documented in terms of economic and financial analysis, little has been written from the human resources perspective and the issues of organizational culture and privatization's impact on the employees have not been studied.

This thesis aims to articulate the culture in Sumerbank; to examine the possible impact of privatization of the employees; to show the culture clash between the taken-for-granted economic and financial assumptions of privatization and the organizational culture of Sumerbank; and to suggest a new privatization strategy that is sensitive to the culture of Sumerbank.

Key words: Privatization, organizational culture, Sumerbankian, integration and ambiguity paradigm.

ÖZET

ÖZELLEŞTİRMENİN KURUMSAL KÜLTÜR ÜZERİNDEKİ ETKİSİ:

SÜMERBANK

Aylin Olcay Göçer

Danışman: Yrd.Doç.Dr. Oguz Babüroğlu

Özelleştirmenin, ekonomik ve finansal yönleri detaylı bir şekilde araştırılmıştır. Ancak, bu konunun insan kaynağı ve kurumsal kültür yönleri araştırılmamış ve çalışanlar üzerindeki etkileri incelenmemiştir.

Bu tezin amacı, Sümerbank'taki kültürü ortaya çıkarmak; özelleştirmenin, çalışanlar üzerindeki olası etkilerini incelemek; özelleştirmenin ekonomik ve finansal varsayımları ile Sümerbank'ın kurumsal kültürü arasında doğan çatışmayı sergilemek; ve Sümerbank kültürüne uygun yeni bir özelleştirme stratejisi önermektir.

Anahtar kelimeler: Özelleştirme, kurumsal kültür, Sümerbanklılık.

1. INTRODUCTION

Privatization has gradually become a major phenomenon through the eighties. Like many other countries, Turkey is undertaking an extensive privatization program that started in the early 1980s. In general terms it is defined as the transfer of ownership or control of an enterprise from the government to the private sector. Privatization in Turkey has two purposes related to one another, the first of which is to remove concerns from the area of the State's direct control and intervention, and the second, to reduce the assortment of burdens which these organizations impose upon the national budget (44). The realization of these purposes necessitates some changes in the combination of business units, product lines and in structure, that is, in the corporate strategy of the organization. The decision and methods of privatization are determined by the Government. Privatization is a government policy, a political choice made within the economic program of the ruling Motherland party (16). Although, the privatization is the Government's chosen strategy for restructuring the economy, it is by and large an imposed corporate strategy for the SEEs. Since this was the Government's strategy, the SEEs did not have a choice regarding their inclusion in the privatization program.

While privatization has been well documented in terms of economic and financial analysis, little has been written from the human resources perspective and the issues of

organizational culture and privatization's impact on the employees have not been studied. Yet, when this strategy is being enacted, it will be impossible to ignore the effects privatization on the culture of the organization. Since privatization signifies a major change within the evolution of the SEEs --most of which were founded during the nation building days of the Republic-- such a change should be viewed within the cultural dynamics of the organization. These cultural dynamics are generated by various interest groups --management, workers and owners--, with their differing opinions about the nature of the organization, the relative importance of their tasks, and their possible future positions within the organization create options which may become critical to the survival of the organization as a whole.

Although these issues may be taken for granted when in harmony with the corporate strategy, changes that ignore them are fraught with peril. They should be addressed coherently in mature organizations like Sumerbank (SEE), where the most important motivator for its employees has been its organizational culture. Nowadays, Sumerbank is at the stage of pre-privatization. If the cultural dynamics in Sumerbank is understood clearly, its strong organizational culture can be used to support and reinforce and the possible barriers to acceptance and understanding of the proposed strategy are reduced.

This study aims:

- to articulate the culture in Sumerbank
- to examine the possible impacts of privatization on the employees,
- to show the culture clash between the taken-for-granted economic and financial assumptions of privatization and the organizational culture of Sumerbank, and
- to suggest a new privatization strategy that is sensitive to the culture of Sumerbank.

In order to achieve the objectives, the first section examines the two major concepts --privatization and organizational culture-- of this study. In the second part, a description of the public policy, organizational goals, the current position of Sumerbank and some problems associated with its structure is provided. After defining the meaning of organizational culture and paradigm perspective, the culture in Sumerbank referred by its employees as "Sumerbankian" and its components are explored. Next, the impact of privatization in Sumerbank on the employees is interpreted through the concept of ambiguity paradigm. Finally, based on the findings, a new privatization strategy is proposed so as to smooth the path for successful privatization.

2.WHAT IS PRIVATIZATION?

Privatization is the transfer of ownership or control of an enterprise from the government to the private sector. Privatization has two purposes related to one another, the

first of which is to remove the concerns from the area of the State's direct control and intervention, and the second, to reduce the assortment of burdens which these organizations impose upon the national budget. The accomplishment of the first objective, which is the the most important of the two, necessitates the transfer of ownership to a degree that will enable management to be turned over to private individuals and organizations. The second objective on the other hand, requires as far as possible, the entire operation be divested of, especially in the case of unproductive establishments which operate at losses or of organizations which have great funding requirements. Completion of majority interest divestiture naturally implies privatization of management as well. Nevertheless, in order for management to be released from the State's control it is not obligatory to entirely eliminate public ownership. A change in ownership which enables the transition of management to private individuals and organizations is also within the definition of "privatization" (33).

2.1. The Objectives of Privatization

As stated in the privatization master plan of Turkey prepared by Morgan Bank in 1986, (45), the most important objectives of privatization for the economy and the rationale behind these objectives are listed below:

To allow market forces to stimulate the economy:

Private sector decisions are based primarily on economic

factors. In the public sector, however, many decisions are made on political grounds to serve certain "community goals". Public sector managers are often not allowed the freedom to operate their companies according to market forces. Privatization would introduce market discipline to public enterprises and redirect company resources in the most efficient manner.

To promote widespread share ownership:

The goal of widespread share ownership is important in reducing the concentration of economic power and to bring about a more equitable distribution of income and wealth.

To speed up development of the capital markets:

The basic prerequisites for the development of a successful capital market include a stable political/economic environment, an adequate supply of stock, a sufficient demand for stock, and an efficient intermediary network. Privatization generally directly addresses the supply side issue by immediately making shares of stock available for private ownership. So, the savings accumulated in the economy can be transformed into investments.

In order to achieve these objectives of the economy, some targets of the enterprises should be identified, such as:

To increase productivity and efficiency:

Lack of profit orientation, poorly defined goals, and no accountability to stockholders have decreased incentives for

public enterprises to increase productivity and efficiency. Other discrepancies between efficiency ratings of public and private firms include manpower levels and equipment use. Market discipline and consumer choice tend to keep private firms more efficient.

To increase the quality, quantity, and the diversity of the goods and services:

In the absence of market oriented management, public operations tend to become production oriented; so the quality and consumer ability to choose decrease. Public firms have little or no incentives to seek new products due to both the limited number of firms competing within the market place, and lack of profit orientation.

2.2. Methods of Privatization

The question of which method of privatization is to be implemented should be determined in conjunction with the general economic situation of the country, with the type of enterprise to be divested of, and with the purpose to which emphasis is to be given. So, it would be more intelligent to apply various methods together according to the circumstances and conditions rather than to emphasize one of the following methods (42). This idea can also be supported by Mrs. Nermin Berki:

"...All countries in the world have developed their own rationales and systems of privatization through a trial and error. At the transition stage, Turkey examined the privatization program of other countries, made an analytical

study to evaluate the current situation of State Economic Enterprises and asked the opinions of the workers, journalists etc. and developed a privatization master plan (6)."

In the privatization master plan, the methods of privatization are stipulated as follows:

- a) Sale of Stock Through the Capital Market
- b) Stock Sale by Requesting Bids
- c) Direct or Special Sale
- d) Joint Public/Private Sector Ventures
- e) Leasing and Management Contracts

(The details about the privatization methods are described in the appendix.)

2.3. Privatization in Turkey

At the helm of the decision-making process of privatization mechanism, is the Housing Development and Public Participation Administration, which is under the control of the Prime Minister's Office. This Fund restructures and prepares a SEE before the sale and decides how, to whom, when and how much to sell. Then, the High Board of Planning, whose members are cabinet ministers, decides on the investment alternatives with the money generated by the sale. In that process, the responsibility of the sale belongs to the Government. This responsibility is explained by Mr.Adnan Kahveci; a parliament member, as follows:

"...We, as a government, are responsible to the public who wants productive enterprises and to protect the rights of Turkish nation; so to find a way to improve productivity of

SEEs that are operated at a loss (15)".

As of now, Turkey has been able to privatize three big enterprises, namely, Teletas, Petkim and Citosan. For Teletas and Petkim, the method of privatization was the sale of stocks through the capital market. In both cases, Housing Development and Public Administration Participation bought more than half of the stocks and sold the rest to the public. In the Citosan's case, the four factories of Citosan were sold to a French company. In the bylaws of the agreement, the condition was to sell 40% of the stocks of Citosan to the public within five years, (undisclosed to the public when the research was conducted), was stated.

3. ORGANIZATIONAL CULTURE

An organization is an explicit attempt to control the behaviour of employees in order to produce goods and/or services (29). Although, most organizations are set up for such utilitarian objectives, behavior control requires an understanding of social and political considerations.

Since it is assumed that culture affects the change in the organization, the meaning of the organizational culture that will help the understanding of the discussion should be defined.

Organizational culture is defined in terms of values, expectations, underlying assumptions and shared meanings, that is transferred through the generations, among the members of the organization. Every organization has its own

unique culture that ties its employees to the organization and holds the organization together. The potency of organizational culture depends on the social context in which they function and how and by whom they are created as well as how they are maintained and kept alive. The organization perpetuates itself through the culture (29 and 37).

In this study, the paradigmatic perspectives to organizational culture of Martin and Meyerson (38) is used to portray the Sumerbank's case. By paradigmatic perspective they mean a particular view of how culture should be studied. Their assumption is that members of the organization, may either be unconscious of some aspects of their culture or simply take it for granted. Furthermore, the culture is enacted, not observed. Thus, a view of a culture from a particular paradigmatic perspective aims to be a more subjective approach.

There are three types paradigms: integration, differentiation and ambiguity.

Integration paradigm emphasizes consistency among cultural manifestations and organization-wide consensus among cultural members. It defines the culture as that which cultural members share --the glue that holds an organization together.

Differentiation paradigm stresses inconsistency and delineated lack of consensus, usually in the form of overlapping, nested subcultures and stresses a cultural context that is devoid of strong leaders. It portrays the

organizational culture from the internal conflict point of view (29).

In the ambiguity paradigm, cultural manifestations are neither clearly consistent nor clearly inconsistent. Differences in interpretation are seen as incommensurable, irreconcilable and unavoidable. Ambiguity paradigm is found in three types: uncertainty, confusion and contradiction.

The culture of Sumerbank, that is the long lasting notion of Sumerbankian, can be portrayed under the paradigm of integration. However, ambiguity paradigm better describes the organizational culture when the privatization question is invoked.

4. METHODOLOGY

From the extensive literature survey carried out on privatization (33), it is seen that the significance of the concept of organizational culture is not examined in the context of privatization. Therefore, this paper aims to be a descriptive and exploratory field study that examines the impact of privatization on Sumerbank's culture. Observations on Sumerbank plants and retail stores, and in-depth interviews with managers, workers and other related people from concerned organizations and/or institutions, constitute the primary data. The study started with the observations in Izmir-Sumerbank plants and Ankara-Sumerbank retail stores in order to have a general idea about the life in Sumerbank. Then, a base of conversation was built with the

workers and civil servants by asking them if they were happy to work in Sumerbank. Following their common response that they were happy to work in Sumerbank and to be a "Sumerbankian", these people were asked to explain what they meant by being a "Sumerbankian". After understanding that the organizational culture in Sumerbank was referred as "Sumerbankian", the study focused essentially on two open-ended questions. These were "what is the importance of being a Sumerbankian for you?" and "how will privatization affect Sumerbank and its culture?". About thirty five people were interviewed during October and November of 1989. Ten out of them wanted neither to give their names nor to mention their positions. Since privatization is an imposed strategy by the Government, at this stage, the higher the interviewees in respective organizations the better informed they were about this program. Since the selected people were relatively more informed about privatization and aware of the notion of organizational culture at the last stage of the interviews, there were no need to build a base for asking these questions. However, most of the lower level employees were not only uninformed about the effects of privatization but also afraid of the consequences of this uncertain situation.

The current president, three vice-presidents, a general secretary, two former presidents, two middle level managers, two civil servants and five workers in Sumerbank, two members from employers' union and five members from employees' union, five high level managers from Housing Development and Public

Administration, a legal consultant from State Planning Organization, a president from Citosan, a parliament member, a cabinet minister of Labor and Social Security and the head of Social Democratic Party were interviewed. These responses reflect their interpretations of the notion of being a Sumerbankian and expectations about the pre-privatization stage. All interviews were written up as soon as the interviews were completed and a content analysis was performed in order to delineate the Sumerbankian notion of the organizational culture and to assess the impact of privatization on it.

5. SUMERBANK

5.1. Public Policy and Organizational Goals of Sumerbank

Before the foundation of Sumerbank, in 1930, there was only one shayak factory in Turkey; there were no earthenware, paper, cellulose, iron and steel industries. The clothes of civil and military people were imported (24). Founded in 1933 to contribute to the industrialization of the young Turkish Republic, Sumerbank, being a State Economic Enterprise, has successfully completed its task of setting up the essential branches of industry and providing the basic needs of the nation within 52 years.

In the Sumerbank handbook, the missions of this enterprise can be described as follows:

"...To work between the public and private sectors in the

area of industry with the specific aim of encouraging the foundation of major industries..."

"...To foster the education of personnel who will take part in the development of Turkish industry..."

"...To take active measures to improve Turkish industry..."

"...To monitor industrialization in its accomplishment by means of a more harmonious and effective use of all national resources and economic factors..."

"...To improve urban/regional balance..."

"...To maintain and improve employment opportunities..."

Other objectives included the spread of secure industrial employment widely across the country and the provision to mass consumers certain basic goods at relatively low prices. These objectives are stated by an old Sumerbankian:

"...Sumerbank built new factories and retail stores disregarding regional differences in Turkey. The aim was lower profits but good service and quality (24)." .

By founding, administering and improving industrial establishments like cement, iron, steelmills, paper and cellulose factories throughout the country, Sumerbank has justly started to be referred as "The school of Industry". Later Sumerbank transferred these factories to other enterprises and deal mainly with textile industry.

5.2. Current Position of Sumerbank

In the textile sector, the existence of many substitutes cause high competition. In this sector, the cost advantage is gained by integrated plants, high technology and

economies of scale.

At present, Sumerbank is composed of 41 establishments, factories and associated companies, and equity participation in 31 other companies active in various industries. Additionally, Sumerbank has 44 bank branches and 466 retail stores scattered throughout Turkey's 71 provinces. The combined services of these institutions associated with Sumerbank constitute an important share of Turkey's total production in the fields of cotton, wool, chemical, porcelain, and leather industries. With respect to the share in the total production in Turkey, Sumerbank has 11% in shoe production, 15% in woolen production, 100% in viscose and cellophane production.

Sumerbank has 466 retail stores throughout Turkey. The system of its distribution channels is one of the most important advantage of Sumerbank in this sector. In many small towns and villages of Turkey, especially in the eastern part of Turkey, Sumerbank is the only store (22).

The retail stores' gross margin is much below than that of private sector's (Exhibit 1). Although Sumerbank retail departments do not use intermediary wholesalers (unlike private sector), the gross profit is only one third of that of private sector (14% vs. 35%), because of the excessive prices paid to the manufacturer. Furthermore, return on investment of retail stores of Sumerbank is also much below than the private sectors' (Exhibit 2). In addition to these, Sumerbank's inventory turnover is below average due to

ineffective inventory control (Exhibit 3).

There are tight linkages between manufacturing, retail and banking groups of Sumerbank. In 1988, 85% of retail division's purchases were from either wholly owned or associate Sumerbank manufacturing plants, over 98% of the Banking Division's loans went to Sumerbank businesses; and 41% of the manufacturing group's external sales were to the Retailing Division (42).

Sales of Sumerbank is not only through the retail stores. Retail store sales constitute only 50% of total sales. Other sales are clustered around exports (15%), textile products (15%), and institutional sales (20%) (45).

Current position of Sumerbank has been achieved at a high cost. Appropriate management information is lacking at the individual business unit level. Also, there is no reliable information on profitability of business units. At the divisional level, financial results have been distorted by the transfer prices for both inputs and outputs which did not reflect market prices and by allocations of finance charges which were not related to borrowing by those divisions (42). These factors tend to lead to inefficiency and unprofitable operations at many Sumerbank factories.

In the manufacturing sector, Sumerbank employs 21,781 personnel in its 18 plants consisting 7,242 looms. Sumerbank produces 220 million meters per year of cotton cloth as well as 51,000 tons of cotton yarn, which represents 15% and 12% of Turkey's production of these two goods, respectively.

According to a reorganization report carried out by the Boston Consulting Group in 1985, there are two essential factors for Sumerbank to be successful: new technology and qualified labor force. The machinery in Sumerbank are between 6 and 50 years old. Cost of goods are affected by the machine ages. The relation between additional costs and machine years can be seen from Exhibit 4. The cost of modernization of the factories is so high that Sumerbank is unable to finance them within its current means (45).

Furthermore, manufacturing plants have had little freedom to make major commercial decisions independently. Individual shops and bank branches have had little autonomy and perhaps consistent with little autonomy, the reward system for satisfactory financial results is not sufficient (42).

Since Sumerbank was founded, the banking department has been responsible for supplying financial resources required by its factories and other businesses of the organizations. However, the problem with the Bank nowadays is that it not only is not profitable but it has also shifted away from its mission. Salih Ela, the deputy manager of finance, said that:

"Sumerbank was originally founded as an Investment Bank; but today, we are far away from this mission, we exist for solving the financial problems. The bank should act as a commercial bank, separate from Sumerbank Holding, and should operate as a profit center rather than a cost center."

Sumerbank, recently, suffers from the high cost of

money. It is collecting money from the public by means of deposit accounts and issuing bonds. The existing banking regulations in Turkey do not allow the banks to use 55% of money we collect", said Mr.Ela. The cost of money that flows to production and other businesses is very expensive.

5.3. Organizational Structure of Sumerbank

There is a strong ethos of public services and discipline. Sumerbank tends to be production driven rather than being marketing driven. Its structure is centralized. The decisions traditionally taken in Ankara and usually do not account for the changes in the marketing environment of the individual business units (42).

There are few incentives to take risks and business units have been protected from competition. The incentive system of Sumerbank offers a one time bonus of 50% of the salaries for the personnel of a store, if the store achieves 80% increase in sales compared to the previous year. There are no incentives for the individual but there is some for the group of employees working within the store. Unless the store as a whole can exceed 1.5 times the previous year's sales, the group will not get any premium.

The high centralization of decision making, and hierarchy of authority tend to result in vertical communication. As would be expected in most bureaucracies, the dominant form of horizontal coordination is through paperwork and reports, and every task is rigidly defined and

written up in manuals. Even high level employees deal with a lot of bureaucracy which makes policy making difficult and frustrates the management. This is expressed by a manager in Sumerbank:

"It is very hard to be imaginative to change something because it needs a lot of effort and time (7)".

Sumerbank is employing 21,781 personnel. There are about 17,000 excess labor according to the determined "norm staff" of Sumerbank (39). Personnel in Sumerbank are divided into three status: workers, civil servants and special contracted personnel. The education level of the sales people is lower than the average of Turkey. Sales personnel in many stores are not even secondary school graduates (11).

The management of Sumerbank has in recent years made substantial efforts to increase productivity, such as decreasing the number of excess labor or employing younger managers. Nevertheless, previously established practices prevail and the enterprising potential of the many managers is barely tapped.

6. FINDINGS

6.1. The Culture in Sumerbank

The creation of the organizational culture dates back to 1930s, the time of its foundation by Ataturk. Culture endures to the degree of its content transmitted from one generation to the next, as well as of maintaining the factors

that employees are happy with. Hung on the wall of the old employee, there is a letter, given to him to congratulate his 20 years in Sumerbank, which goes as follows:

"...who has a very happy 20 successful years in Sumerbank, the biggest and the most distinguished organization of our country".

This reflects the importance of their organization and also reinforces the role of Sumerbank as depicted in the mission of the organization. The organizational culture in Sumerbank is inferred by the notion of being a "Sumerbankian" that was a term regularly used by the respondents. An analysis of the interviews revealed four components of the culture in Sumerbank. These were social responsibility, a big family, the school of Sumerbank and the colony life. These notions of the being Sumerbankian clearly fit into the integration paradigm whereas as we will see once we discuss the Sumerbankian notion, the culture that is emerging as a result of the privation strategy can better be described within the ambiguity paradigm (38).

Sumerbankian is expressed with the integration paradigm because there is consistency about the meaning of its culture. It is perceived and shared among all the levels in the organization in the same way. From the interviews with different related people, it is understood that there is consensus among the employees of Sumerbank about the definition of their organizational culture which commits them to Sumerbank.

The four components of Sumerbankian are in harmony with each other. Their orientation is the social life. A discussion of these components are as follows.

6.1.a. Social Responsibility

What is meant by the social responsibility of Sumerbank is to build a way of life that fits the rationalization and modernization objectives of the newly developed Turkish Republic. This responsibility, one of the corporate objectives of Sumerbank, is a component of its culture. Sharing the economic and social responsibilities of their organization make the employees commit to the objectives of the organization, and so to the organization.

The new Sumerbank factories founded in 1930s throughout Turkey changed the social and economic infrastructure of its cities and contributed to their developments. Some examples to show these changes can be as follows:

...Istanbul Sumerbank was built in 1938. Beside the factory itself, Sumer Barber, Sumer Market, Sumer Restaurant, Sumer High-school, Sumer Street could be seen in the city (24)."

In addition to bringing services and facilities both to its own employees and to the residents of the cities it founded, Sumerbank made these cities beautiful.

"...The establishment of a Sumerbank in Adana made the city more beautiful with the parks and green areas around the factory."

Sumerbank also helped to solve the infrastructure and

housing problems of the Turkish people as is told by the following respondents:

"...The roads and the electricity reached Eregli with the foundation of Sumerbank (24)."

"...In Eregli, Sumerbank bought the area, built houses and sold these to its employees cheaply. That is to say, it helped to solve one of the social problems: housing (24)."

In those years, people generally earned their lives from agriculture. With 1933, new concepts emerged --a place to work, a big organization, an industry. After then, people who were traditionally farmers and were working with their families for themselves started to work for the Government and to learn industrial skills. This transition started to change the life style and conservative orientation of the Turkish people. Since they are working in an organization with many other different people, they learned to live together and to communicate with each other. The example below shows that employees adapted to the new environment within a short period of time.

In 1966, members of the Board of Directors visited Adiyaman Sumerbank:

"...It was the first years of Sumerbank in Adiyaman. The Board of Directors asked the workers what their complaints were. The main complaint was that the women working in the factory did not want to get closer with the men working in the same factory and to work with them at the same place. After 6 months, the Board of Directors went to Adiyaman again. When they were talking with the workers, they said that they wanted a garage for the girls' bicycles. The women were riding to the factory on their bicycles."

6.1.b. Sumerbank as a Big Family

The employees of Sumerbank consider themselves a big family. The State has the "father" image who protects , cares for and helps this family. When one of the workers dies, the State helps the rest of his family and provides a place to live. The members of this big family care for each other as well. When a worker in Erzincan-Sumerbank becomes ill and should be treated in Ankara, any worker in Ankara-Sumerbank will help and care for the worker voluntarily. This mutual understanding has existed for many years. Sumerbank has a special meaning for its employees. It becomes more than a place to work as a secretary gives the above example.

Since their grand fathers and fathers worked there, it becomes like tradition in the family. They say that Sumerbank is their own factory. One of the reason for them to feel like owners is that it becomes a life-time employment. Since none of the workers are terminated without a very important reason (generally, the reason for termination is retirement), they do not consider themselves as temporary workers. A worker at the retail store in Ulus-Ankara put this in the following way:

"...I love Sumerbank. My mother who is now retired, did not have a problem with Sumerbank; then I started my job in Sumerbank and after me, my brother joined Sumerbank. It has been my family's working place for 60 years" says one of the employees to make this point".

6.1.c. Sumerbank as a "School"

Sumerbank has educated its employees not only socially but also technically. Today, many managers of the private firms were trained and get experienced in is termed "the School of Industry." The notion of being a "Sumerbankian", some general information about Sumerbank, the type of work and the importance of Sumerbank in Turkey are taught in the training program carried out at the Sumerbank Training Center in Bursa. The first topic of the first course of this program is its history and the important place of it in the industrialization of Turkey.

Beside its own training program to the employees, since 1970s it has given scholarships to its employees and their children to to train them in specialized fields (18). To be trained within the same system and educated in the same environment build the bases for tight communication links among the members of the organization.

Furthermore, Sumerbank has been the recruiting ground for many private corporations in Turkey. Sumerbank's trained and experienced managers are regularly recruited to various private firms. As such Sumerbank as an organization functions as "The School of Industry."

6.1.d. Sumerbank as a "Colony"

Most of the factories are away from the center of the city so the employees refer to themselves as a "colony". One of the managers in Sumerbank explained what they mean by colony:

"Their working places and homes are within the boundary of Sumerbank area. Their children play together in the parks of Sumerbank, and when they grow up, their education is supported by the scholarships that Sumerbank provides, then they work for Sumerbank just like their parents used to. So, the culture in the "colony" is transferred among the generations (2)."

These colonies are the social groups within Sumerbank that do not take part in the production process but reinforce the notion of being a Sumerbankian. The members of these colonies live together and share everything that is provided them by Sumerbank, within the boundaries of the colony.

Since the structure of living in all colonies of Sumerbank is very similar, the notion of Sumerbankian is consistent throughout the organization.

6.2. The Impact Of Privatization On Culture

Considering the current position and having formulated the problems of Sumerbank, such as performance deficiencies and inefficiency, need for a change in the corporate strategy is apparent. This strategy that has entered into the corporate agenda as privatization, will have a significant impact on the management of enterprise, the goals and objectives pursued and the decision making system. It is aimed at mainly efficiency, better quality and competitiveness in the economy. The following objectives are expressed in the Sumerbank privatization report (42):

- to achieve competitiveness within the organization

- to minimize the need for redundancy
- to maximize sales volumes

When the organizational culture in Sumerbank is examined, it becomes apparent that Sumerbankian notion does not consist of the objectives of privatization. Also, the stated mission in the charter of Sumerbank does not directly include productivity and competitiveness related targets. This idea can be supported by Mr. Adnan Kahveci as follows:

"In Sumerbank, the employees know what does a "Sumerbankian" mean, but do not know what does "being productive" mean. It is time for them to learn it as well (15)".

When Sumerbank's culture has to deal with the culture of privatization that consists of very different assumptions, a cultural clash may have to be considered. People who have never been directed to the objectives of efficiency, better quality and competitiveness will be expected to internalize such values when privatization is imposed in their organizational culture. This transition to the culture of privatization or a probable synthesis between the privatization and Sumerbankian assumptions of culture will result in cultural clash. This transitional culture can no longer be described within the integration paradigm because harmony and consistency that is central to the integration view of culture can not be inferred anymore. The differentiation paradigm can also not be grounded because the existence of subcultures did not come out to be very significant in the analysis of the interviews. Therefore, the

ambiguity paradigm seem to be most promising for interpreting the transitional culture. This stems from the fact that different interpretation of the impacts of privatization because it is neither fully understood nor communicated by the members of the organization. To fit this paradigm to the context of the Sumerbank's case, three types of ambiguity -- contradiction, confusion and uncertainty--, as suggested by Meyerson and Martin (38) will be discussed respectively.

Contradiction refers to cultural manifestations and interpretations that are capable of double meanings, as in a paradox or an irreconcilable conflict.

The notion of Sumerbankian has a crucial role in the survival of the organization, however, it brings some contradictions when considered in the context of privatization. Efforts to build and maintain the culture sometimes contradicts with the fundamental principles of SEEs, which are mainly to provide services and benefits to the public. They have at times maintain their culture at the expense of their principles. They use the capital of the State to improve the working environment of their employees and to increase the prestige of the organization. It is spend to design the green areas or the parking places within the boundaries of their factories or to add new service cars for their employees. Even though such motivators are necessary to increase satisfaction of the employees and to increase the quality of working life, it should not be at the expense and

contradict with the fundamental principles. Mrs.N.Berki indicates this situation as:

"...SEEs compete among themselves to provide services and benefits for their own employees and to consume the capital of the State (6)".

One of the components of Sumerbankian notion is being a big family that has tight relations in itself. This family concept may contradict with one of the objectives of privatization which is competitiveness within the organization. Upto now, such a contradiction has not occurred because the members of this family have not dealt with having to be competitive. But, these tight relations may cause difficulties in persuading the employees to compete with the either with outsiders or with members of their own families and to try hard for promotion.

Life-time employment has also positive and negative impacts on the performance of the employees. Security about their future, on one hand, makes them happy, on the other hand, may encourage an unproductive attitude since they are not threatened by losing their jobs. None of the interviewees mentioned productivity in their responses, therefore it can be concluded that the negative effect of life-time employment is not considered in the notion of Sumerbank. However, privatization aims at productivity. Hence, the existing expectations in Sumerbank and the objectives of privatization will contradict with each other.

The other type of ambiguity, uncertainty, refers to

the unpredictability of the organization's environment and technology. Particularly, the trade union representatives' responses can be interpreted by uncertainty. They can not predict the consequences of privatization in the Turkish economy, industrialization and employment.

In general, the concerns of Teksif --the employee union in the textile industry-- about the privatization of Sumerbank are as followings:

"...Sale of these kind of enterprises prevents the industrialization process in our country. Unless Turkey reaches the level of developed countries, the sale of SEEs should not be placed in the agenda. Unemployment is one of the major problems of Turkey. The application of special contracted personnel endangers the job security of employees."

Since the Housing Development and Public Participation Administration has not informed the trade unions about the privatization method of Sumerbank, their objections to the method is base upon the previous experiences of other SEEs. For example, Turk-Is, the confederation of the employees' union, is against the way of the method of privatization undertaken in the Citosan's case. The president of Turk-Is, Sevket Yilmaz says that the sale of SEEs to private firms, as a whole, is not the proper way to spread the capital to the public. When a SEE is sold to a private company, privatization loses its objective. However, he made it clear that they do not object to selling the stock to the public directly.

One of the unpredictable points is whether or not the

employees will lose the rights of their indemnities. Tarim-Is argues that when a SEE is sold wholly, the employees will lose their rights because it will not be a SEE anymore but a new private company. The management of this new company may not account for the years spend in a SEE.

Another concern for the trade unions is the consideration of regional differences in privatization and the possible problems that will appear with privatization. Even though, Sumerbank its social tasks in the developed parts of Turkey, it has still responsibilities towards the underdeveloped ones. After privatization of the Sumerbank factories in underdeveloped regions, an uncertainty about the question of the social responsibility immediately can be recognized. A former president of Sumerbank puts this issue in the following way:

"In eastern cities of Turkey, Sumerbank is the only place that people can shop. There are 75 retail stores in the boundary areas. In winter, when these people are unable to go to the big cities, Sumerbank satisfies their needs. If Sumerbanks in eastern part of Turkey are sold and the new owners decide not to operate these factories or stores, who will help these people (22)".

Furhtermore, privatization will change the social structure. It may cause the termination of unqualified, and unskilled excess labor. In this case, the problem is not lack of information, but the uncertainty about what will happen to the excess labor. This statement can be supported by Mr.Suleyman Gedik, a vice-president, as follows:

"The excess labor resists to privatization because it is very hard for them to find another job, in case of termination. They are unskilled labor and employed because of some political pressures to the management. Privatization will not affect the real "Sumerbankians" negatively (11)".

By this statement, Mr. Gedik is implanting a distinction between the real and supposedly the un-real Sumerbankians. The reason for these structural changes and termination of this excess labor in Sumerbank is the attempt to decrease costs and increase efficiency. It is said that Sumerbank, as a SEE, will not be able to continue its existence in such a problematic condition. The new Sumerbankian ethos is also supported by Mr. Okkes Ozuygur, the president of Housing Development and Public Participation Administration:

"Even State-owned firms can not, in practice, finance overmanaging over long periods. Large scale redundancies have failed to match that of international competitors efficiently. Remaining employees' prospects will be brighter in privatized industries, which are superior in ability to adapt, diversify and grow (19)".

Confusion is caused by lack of knowledge or information that has not been communicated. In the pre-privatization stage, the employees in Sumerbank are not directly informed about the problems of their organization, the objectives and methods of the proposed strategy. Privatization will bring some changes to the existing situation of Sumerbank --the old technology may be renewed, the management structure may be changed and the excess labor may be reduced. These probable, but not definite changes will result in confusion because

neither these changes nor their impacts are known. This confusion due to lack of knowledge will cause objections, as expressed by a worker:

"...I think SEEs should not be privatized. But do not ask me why- I do not know (a worker in Sumerbank).

Confusion causes barriers to acceptance because the employees want to be sure about their future positions. Since the employees were not involved in the planning, nor kept well informed of current and upcoming details of the change, they could only speculate about the real outcome. Their speculations were very emotional and reflected their insecurities. This discussion can be supported by:

"...What the employees know about privatization is only the speculations in the newspapers. Employees have a negative attitude toward privatization because of lack of information. If the employees are informed about the meaning, reasons and results of privatization, they will accept it. They should know that their rights will not change nor they will not be unemployed (18)"

What happened in Sumerbank Beykoz could be shown as an example of the importance of providing information and timely communication, in resolving the ambiguity:

"... Sumerbank in Beykoz was modernized by a German firm. As Germans did not have a dialogue with the employees, a reluctance appeared and production decreased to 40-45% of capacity. After they were informed about the reasons of modernization and that nobody would lose his/her job, the production started to increase (18)".

Another example to show the importance of the information is the Citosan's case. Neither the trade unions

nor the employees were informed about their future positions -whether they would be employed or terminated. So, the confusion about the job security gave rise to negative attitudes toward privatization among the employees. But, when Cimse-Is was informed formally by the Housing Development and Public Participation Administration, after 3 months from the sale of Citosan, the ambiguity decreased significantly (10).

7. PROPOSALS FOR CHANGE

In case of ambiguity caused by a change within an organization, attention should be focused on building consistency among the employees because the success of this proposed change depends upon the acceptance and support of the employees. Unless consistency is achieved in the organization about the emergent culture, neither the objectives of privatization nor the concerns of the employee can be realized. Consistency can be achieved through information, persuasion, communication, involvement and ownership.

The management needs the clearest possible indications of the action which members are likely to support wholeheartly, since successful implementation almost totally depends upon people who feel personally committed to a new action. The change should be explained in culturally and organizationally understood terms relying on shared assumptions that would help to interpret the messages. Hence, privatization should be explained by someone who is

creditable and shares the same culture. Especially, in Sumerbank, family relations and the notion of paternalism have strong influence on the employees. They trust and believe in their superiors, as expressed by two of the workers:

"...For 60 years, my family has never had a problem with the superiors. I am not afraid of privatization because I believe that they will consider us and will not apply something that will make us worse off." (a worker)

"...If those at the top say that privatization is necessary, they certainly know better than us. Hopefully, it will be good for us" (a worker).

Therefore, making the employees understand their culture, persuading them, making them feel secure about their future and work for the success of this new structure should be under the responsibility of the managers in Sumerbank. Managers have a crucial role in building commitment as Mr. Erkan Tapan, the former president of Sumerbank says:

"...Building commitment is the responsibility of the manager and is the ability that differs a good manager from a bad one. First of all, the manager himself, should love his organization, know the characteristics of it and believe in it. Then, he can spread out his vision to the employees (22)".

The employees and trade unions will best adapt to a change if they participate in the decision making. Considering the low turnover and the work experiences of the employees, Sumerbank will be a good place for an involvement program which may work as a catalizer at the pre-

privatization stage. A board can be formed consisting of members of trade unions, managers of the enterprise to be privatized and representatives of Housing Development and Public Participation Administration to discuss the subject, define the problems of Sumerbank and to explain the strategy to be followed. Through the trade unions, the employees can be informed and persuaded. Furthermore, the objectives, methods and consequences of the privatization should be explained to the public through seminars, conferences, panels and the press. As Gunes Taner, the cabinet Minister responsible for privatization, admitted in First Privatization Panel on 12 December, 1989 that their mistake was the lack of public relations. The resistance to privatization he said was because there was insufficient communication.

Even when a change is properly communicated and explained and well understood, there may still be barriers to its acceptance. The basic barrier to acceptance is the need for security for the future. The employees should be persuaded that overemployment is not a reasonable solution for decreasing the national unemployment rate. New industries that will be founded with the money generated by the sale, will provide employment opportunities for the laid-off labor. Some alternatives should be proposed to solve the overemployment problem, such as by encouraging voluntary redundancies with a lump sum compensation; or by taking measures to create employment opportunities by (42):

- Enterprise schemes, that is to promote new business start ups through a package of measures such as provision of credits and professional advice.
- Retraining for those individuals whose current skills are no longer in demand. There are benefits in planning training schemes in advance of workforce reductions with attention paid to developing those skills which are in short supply, and to ensure removal of any obstacles (financial and practical).
- Promotion of relocation through the dissemination of information on job opportunities in other areas and financial assistance with the cost of relocation. Opportunities for alternative employment may exist at some distance from the supply of the redundant labour.

The question for the employees of Sumerbank is their rights of indemnities and the redundancy costs, which are based on the tenure and wage rate of the employee should be answered in detail. The amount of these indemnities range between TL4.7 billion, the least, and TL7.1 billion, at most. Redundancy payment liabilities for all its workers was about TL300 billion at December 1989. It is very hard for Sumerbank to pay this amount in cash. The employees should be assured that their rights will be protected either by transferring the responsibility to the new owners or paying some amount of the indemnities with stocks. In the sale of the 4 plants of Citosan (a cement industry), the first alternative was applied. Also, their rights of unionization was protected.

Now, Cimse-Is (trade union) has no complaints about its and its members current position. This example should be communicated that the employees will not lose their rights of indemnities and unionization.

The reason behind the trade unions' objections against privatization is because they think they will lose their power after privatization (15). An example to support this reason is as followings:

"Elazig cotton industry plant is private. Many times it was sold but none of the owners tried to improve it, or buy new machines; instead, they ran the old system, earned some money and closed it. Every time the owner closed it, the employees lost their job. In such a case, the union can not go and ask the factory not to be closed, because it is private. On the other hand, in the public sector, the unions can exert political pressure on decision makers."

The future position of the trade unions should also be identified so as to decrease the barriers. The task of the unions will not end with the privatization. As long as there are workers there will be unions to protect their rights. Communication will help to give this message to the trade unions and to make them feel secure. One of the objections toward privatization considers the possible problems about the differences in regions. Government will need to take social and strategic factors into the consideration in deciding which SEEs to privatize. The regions that still needs the services of Sumerbank should be identified and the sale of Sumerbank factories in those regions should be delayed. Sumerbank factories in eastern part of Turkey, especially those in the borders, have not completed their

especially those in the borders, have not completed their social tasks. The Government should take this concern into account.

One way of making the Sumerbankians to support privatization is ownership. They already feel that they are like the owners of Sumerbank. Therefore, to make them real owners, that is to say to sell the stocks of Sumerbank to Sumerbank employees will motivate the employees to be productive for their own factories.

A questionnaire was carried out by Housing Development and Public Participation Administration in one of the private cement plants in Konya, dated Nov. 23-24, 1989. The personnel was asked whether they would like to be not only an employee of the organization but also an owner. Almost all of the answers (216 out of 217) were positive. They believe that being an owner would increase their productivity as well as their income.

8. CONCLUSION

This study approaches privatization from organizational culture and human resources perspectives. While the topic has been well documented in terms of financial and economic aspects, the impacts of privatization on the employees have been neglected.

In this study, organizational culture in Sumerbank which is referred to as being a "Sumerbankian" and the impact of privatization are examined from paradigmatic perspectives.

The culture of Sumerbank is interpreted under the integration paradigm because there is consistency about the meaning of the culture throughout the organization. However, when privatization is imposed, there appears a cultural clash. This clash has resulted from the difference between the assumptions behind the Sumerbankian notion and privatization. The pre-privatization stage of Sumerbank is interpreted under the ambiguity paradigm to refer to what seems unclear. This paradigm is distinguished into three in order to explore the culture of transition: contradiction, confusion and uncertainty.

Considering the difficulties at this transitional stage some proposals are put to achieve consistency within Sumerbank. The importance of communication, information, persuasion, involvement and ownership is mentioned.

Inevitably, certain limitations exist for the study with respect to the people interviewed. Being at the transitional stage causes uncertainty about the results of privatization. Most of the employees in Sumerbank hesitated in reflecting their views about privatization and in answering the question of its possible effects. One reason of this hesitation is their ignorance about the strategy and the other is their anxiety about their future. Since privatization is an imposed strategy which will probably result in extensive lay-offs, the employees were afraid of speaking against it.

Furthermore, the interpretations depend on the limited

number of interviewers who work in the big cities (Ankara and Izmir), either in Sumerbank and in other related institutions. A more extensive field study should be carried out to analyze the Sumerbank's culture.

In order to develop the argument on the effects of privatization on the employees and on the organizational culture further, a questionnaire should be conducted to systematically analyze the results.

APPENDIX

Methods of Privatization

a) Sale of Stock Through the Capital Market

The Sale of Stock Through the Capital Market method can be defined as the sale of all or a part of the stocks of a publicly-owned joint-stock company to private individuals or organizations. The volume of stocks to be offered for sale and the method of sale are predetermined, and an announcement for sale is made, whereupon privatization will actually commence.

b) Stock Sale by Requesting Bids

In this method, the sale of stock is realized by means of obtaining bids particularly from groups rather than the sale of the whole for partial lot on the stock market. In the announcements, it might be indicated that an attempt will be made to share the stock equally (33.3% each) among the employees, the local populace and private firms.

c) Direct or Special Sale

Direct or Special Sale method is more concerned with the sale of part of the SEE's assets, of their establishments, of their secondary areas of activity, or of relatively small

businesses rather than its stock. In this method, the assets or enterprises to be sold may be turned over -by means of bargaining- to a specific firm, to several firms, or to a consortium. But, the drawback of this model is that since a sale of stock is not involved, it goes no further than a "selling off of state properties".

d) Joint Public/Private Sector Ventures

If Joint Public/Private Sector Ventures method is well organized, it can be one that brings together advantages for both sectors. New investments are undertaken by joint-stock companies in which the public and private sectors participate in preset ratios.

e) Leasing and Management Contracts

These contracts do not envisage a transfer of ownership so they are, in fact, employed to improve the performance of SEE's or to prepare them for privatization. In this method, SEE's are leased to private companies for specific time periods under the terms or conditions specified in agreements.

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PRICE COMPETITIVENESS
OF SUMERBANK

	ASM	PRIVATE SECTOR
RETAIL PRICE (for same quality goods)	100	125
GROSS PROFIT	14	44 (35 %)
WHOLESALE PRICE	-	81
WHOLESALE MARGIN	-	8 (10 %)
PRICE PAID TO MANUFACTURER	86	73

Ref: BCG Analysis on Sumerbank

EXHIBIT 2

RETURN ON INVESTMENTS OF RETAIL STORES

	SUMERBANK	PRIVATE SECTOR
SALES	100	100
COST of goods sold	86	65
GROSS MARGIN	14	35
RENT EXP.	0.5	6
PERS. EXP.	5	8
FIN. EXP.	1.5	2.5
OTHERS	1.5	6.5
TOTAL EXPENSE	8.5	23
NET INCOME BEFORE TAX	5.5	12
ASSETS	55	17
ROI	10 %	70 %

ROI= NET INCOME BEFORE TAXES / ASSETS

Ref: BCG Analysis on Sumerbank

EXHIBIT 3

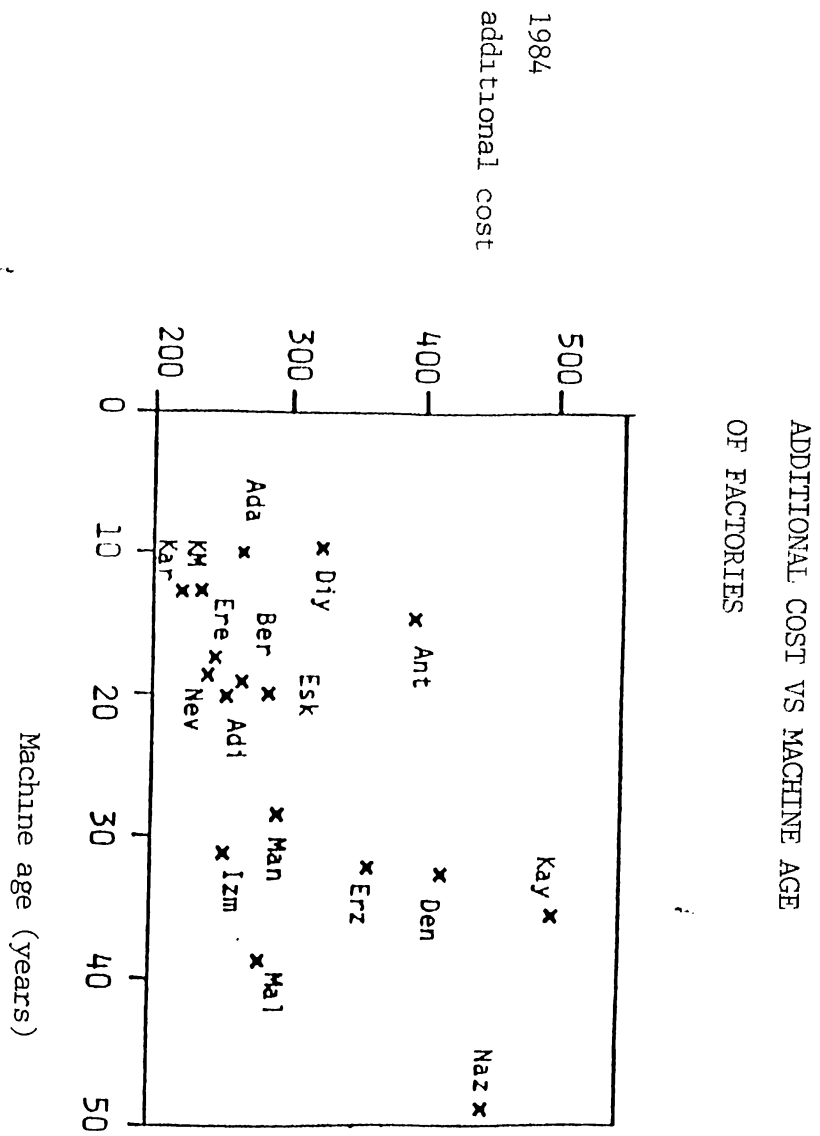
INVENTORY TURNOVER RATIOS

REGION	I.T.O.R
ADANA	3.2
ANKARA	5.4
BURSA	2.8
DIYARBAKIR	2.3
ERZURUM	3
ESKISEHIR	1.5
GAZIANTEP	2.9
ISPARTA	2.2
ISTANBUL	5.3
IZMIR	2.7
KOCAELI	4.1
KONYA	2.3
KAYSERI	2.7
NAZILLI	2.2
SAMSUN	2.3
SIVAS	2.5
TRABZON	2.3
VAN	1.4
ZONGULDAK	3.4

AVERAGE IN
ENGLAND : 8.1

AVERAGE IN
USA : 6.3

Ref: BCG Analysis on Sumerbank



Ref: BCG Analysis on Sumerbank