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We are pleased to issue the Proceedings of the 2002 Annual Conference of the Global Awareness Society International and to thank the authors who presented these papers in May of 2002 at the Pacific Palisades Hotel in Vancouver.

Special thanks go to outgoing president Dr. Stanley J. Lawson of the Peter J. Tobin College of Business at St. John's University for his tireless efforts in organizing the conference. Due to his leadership the conference was productive and the field explorations enjoyable.

We sincerely appreciate the continued generous support of G.A.S.I.'s institutional members, Loyola University of Chicago, Norfolk State, Middle East Technical University of Ankara, St. John's University, Old Dominion University, Bloomsburg University of Pennsylvania and our newest member, the Near East University of Northern Cyprus. In addition to our institutional members we would like to thank Ron and Rina Meyers and Myung Ja and Chang Shub Roh for their generous contributions to the Student Global Scholars program

A handwritten signature in black ink, reading "James C. Pomfret".

James C. Pomfret,
January 2003
Bloomsburg, PA



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The Relationship Between Human Resources Management Practices and Performance In Turkish Large Industrial Enterprises

Assist. Prof. Dr. Özlem Özkanlı

Faculty of Political Sciences

Ankara University

Cemal Gürsel Caddesi 06590 Cebeci, Ankara-Turkey

Phone: 90-312-3197720

Fax: 90-312- 3197736

E-Mail: ozkanli@politics.ankara.edu.tr

1. Introduction

Human resources management (HRM) is gaining importance especially in developing countries, including Turkey, in order to be competitive on a global scale. Turkey has been approved for the candidate for European Community (EC). The possibility of membership changed the business mentality within Turkey. Large industrial enterprises started to emphasize professional management. This paper examines the relationship between performance and HRM practices in Turkish large industrial enterprises. In the study, an inclusive review of the theoretical framework is presented. The major question of the research is: "How does effective and systematic HRM practice enhance the performance?"

All topics on HRM could not be covered; instead the fundamental characteristics in order to explore a systematic and effective HRM practice are mentioned. More specifically, the main areas considered are staffing, training and development.

Research methodology used for the study is case study. The case study method is appropriate as it concerns the how and why forms of research questions within real life situations. Case studies are also suitable for increasing basic knowledge concerning a specific problem. The single case study is appropriate when it represent the critical case in testing theory (Yin, 1984). A single case study is also preferable when a case represents an extreme or unique case.

The study is a combination of theoretical and empirical work. Literature survey, collection of the data and materials constituted the theoretical framework. Thereafter, how things worked in real life is observed in case study. This was performed with interviews and observation. CEO managers and human resources manager were interviewed. All interviews were recorded in order to avoid missing vital information.

This study is based on a single case study of Koç Holding, which is one of the largest industrial enterprises of Turkey, according to the "500 Largest Industrial Firms" announced by Istanbul Chamber of Industry (ISO, 2001). Arçelik White Goods Operation is the largest company within Koç Holding. Besides, Arçelik A.Ş. is the largest white goods manufacturer in Turkey. Arçelik, accounted for two thirds of durable business unit's turnover, is the sixth-largest European manufacturer between Italy and India.

In the light of the data, the relationship between performance and HRM is discussed. Besides, the problems faced and solution suggestions are also presented.

2. Human Resources Management Practices and Performance

Effective HRM practice is essential for the success of the organizations. Without people, the organization would not have been growth, and without growth, there would not be continuing performance and success (Song and Akdeve, 2001) Budhwar and Debrah (2001) studied HRM in developing countries.

As Likert (1967) points out, every aspect of a firm's activities is determined by the competence, motivation, and general effectiveness of its human organization. Of all the tasks

of management, managing the human component is the central and most important task, since everything else depends upon how well it is done.

Human resources criterion is the most important one to measure the competitive performance. The ability of an enterprise to create competitive advantages at international platforms is a direct function of its investments in human resources. According to the World Competitiveness Yearbook (2001), which was prepared by International Institute for Management Development, Turkey is the 42nd among 49 countries based on evaluations through human resources criterion.

The researchers studied the relationship between HRM practices and performance for years (e.g., Becker and Berhart, 1996; Cyr, 1995; Huselid, 1995; Huselid and Becker, 2000; Lahteenmaki, Storey and Vanhala, 2000; Martell, Gupta and Carroll, 1996; Meyer and Smith, 2000; Ramamoorthy and Carroll, 1998; Richard and Johnson, 2001; Pfeffer, 1994; Prahalad, 1983; Wright, McMahan, and McWilliams, 1994; Youndt, Snell, Dean, and Lepak, 1996). It has become a widely held premise that people provide organizations with an important source of sustainable competitive advantage (Pralhad, 1983; Pfeffer, 1994; Wright, McMahan, and McWilliams, 1994) and that the effective management of human capital, not physical capital, may be the ultimate determinant of organizational performance (Youndt et al., 1996). The relationship between HRM practices and performance in state government (Selden, Ingraham, and Jacobson, 2001), in small and medium-size enterprises (Chandler and McEvoy, 2000) and in professional service firms (Hitt, Bierman, Schimizu and Kochhar, 2001) are examined. The researchers studied the practices in Singapore (Hoon, 2000), in Korea (Bae and Lawler, 2000) and international comparisons between different countries have been made (Hiltrop, 2000; Ichniowski and Shaw, 1999). How high performance in human resource practices and workforce unionization affect managerial pay is examined in Colvin et al. (2001). According to these studies the HRM practices, including selectivity in staffing, training, and incentive compensation, performance appraisal, employee participation, empowerment, job redesign are positively related to higher performance.

The model in Figure 1 illustrates the factors to which management must pay attention if the organization is to survive and prosper over the long term. HRM appears at the center of the model because HRM policies and practices are of primary importance to the organization's performance (French, 1998). People form the organization, and people manage the processes that create the product or service for which the organization is in business. In fact, how well these human resources are managed is probably the most critical factor in an organization's overall performance. To be highly successful for an organization, human resources must be managed intelligently and harmoniously.

To contribute effectively to overall organizational performance, top executives, all managers and supervisors, and ideally all employees need to maintain an awareness of all the factors identified in Figure 1. HRM, as a field of study and as a professional area of practice, must be especially concerned with these factors and interrelationships.

HRM involves not only individual performance, but also the performance of people in twos, such as the interaction of a supervisor and a subordinate or an employee and a customer, in groups, such as work groups, task forces, and project teams; and between groups or units, such as the interactions between manufacturing and marketing personnel. Further it is necessary to think not only about the quality of those relationships, but also about how they are influenced by HRM.

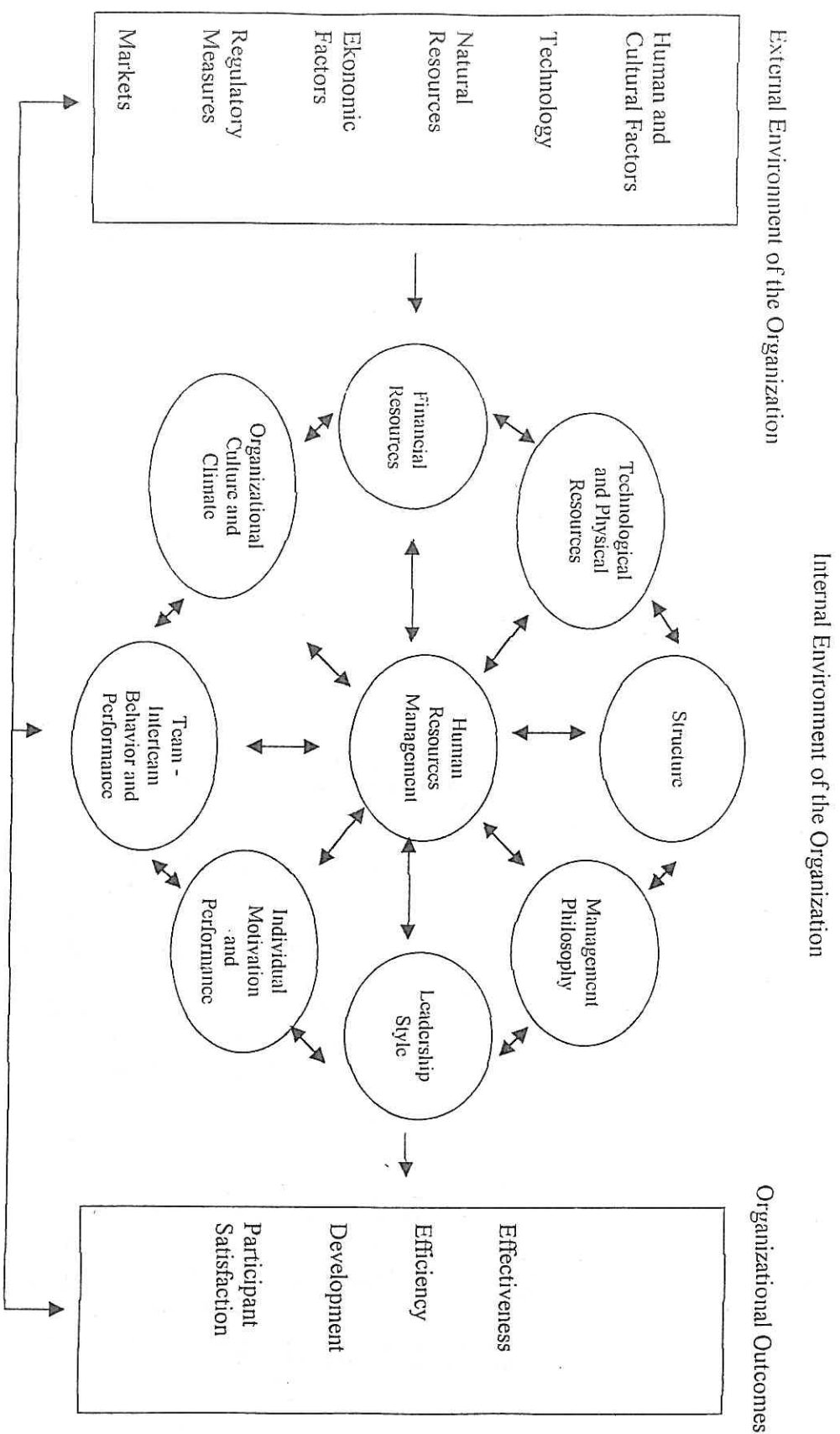


Figure 1: A model of organizational performance
 Source: French, L. W. (1998). *Human Resources Management*, Houghton Mifflin Company, Boston, U.S.A.: 92

As mentioned before all topics on HRM are not covered. The main areas considered are staffing, training and development.

2.1. Staffing

Staffing is the most critical task any organization faces. Without the right people, no firm can function effectively. Recruiting people on the basis of knowledge, skills, and abilities is closely related to the successful job performance of individuals.

Staffing is the process that results in the continuous assignment of workers to all positions in the organization. This broad process includes the following activities: attracting qualified people to the organization, selecting from among candidates; bringing new people aboard, assigning and orienting them to their jobs; reassigning employees through transfer, promotion or demotion and ultimately, managing employee separation through resignation, discharge or retirement (Sisson, 1998).

2.2. Training and Development

Training and development process is a complex mixture of activities intended to improve the performance of individuals and groups within organization. Almost all employees in any organization need some initial training or orientation, when they start new jobs.

The training process is defined as the systematic acquisition of skill, rules, concepts or attitudes that result in improved performance in the work environment (Goldstein, 1993). Enterprises can improve the quality of current employees by providing comprehensive training and development activities after selection. On the one hand, the training could strengthen the employee's concept of production quality, teamwork, safety, and upgrade their productivity. On the other hand, the training could also enhance and develop the competence and skills of the employees in order that they can improve their job performance. The investments in training produce beneficial outcomes for the enterprise.

The enterprise's performance is greatly enhanced by managerial level members rather than operational level employees (Cascio and Serapio, 1991). Therefore, a great deal of attention should be given to the training of the manager (Schenkhar and Zeira, 1987).

3. Empirical Evidence

3.1. White Goods Industry in Turkey

Based on empirical evidence and the theoretical framework, Turkey's largest industrial enterprise Koç Holding is chosen as a case study in order to present an example of HRM practices which is an important determinant for enterprise performance. "White Goods" is a term used to describe major kitchen appliances like refrigerators, freezers, washing machines, ovens and dishwashers.

The first step of white goods industry in Turkey is the production of washing machine in 1960. After a short time, refrigerators have also been assembled with imported pieces. In 1980, free-market economy affected the sector in a positive way. In 1990, dishwasher machine and no-frost refrigerator production started. Research and development investment were increased. Nowadays, the most important companies in sector are Arçelik, Peg Profilo, Vestel and Ardem.

The production, import, domestic sales and export data in 1997, 1998, 1999, 2000, and 2001 can be seen below.

Table 1: 1997 (January- August) White Goods Data (Unit)

Product Type	Production	Import	Domestic Sales	Export
Refrigerator	1207183	117060	856807	521774
Washing Machine	866107	99598	896253	50774
Dishwasher	275128	67077	267066	68803
Oven	554913	6008	373235	183708

Source: Beyaz Dünya Aylık Bülten, BESD, Istanbul, 1999.

Table 2: 1998 (January- August) White Goods Data (Unit)

Product Type	Production	Import	Domestic Sales	Export
Refrigerator	1258430	222722	997806	548877
Washing Machine	921295	164807	1000752	75469
Dishwasher	195838	122913	293786	66234
Oven	549690	23989	367512	213523

Source: Beyaz Dünya Aylık Bülten, BESD, İstanbul, 1999.

Table 3: 1999 (January- August) White Goods Data (Unit)

Product Type	Production	Import	Domestic Sales	Export
Refrigerator	1458289	204519	872890	723830
Washing Machine	767176	123270	784036	86151
Dishwasher	205135	110140	251738	56360
Oven	569492	21471	309849	264743

Source: Beyaz Dünya Aylık Bülten, BESD, İstanbul, 1999.

Table 4: White Goods Data (January-July) in 2000 and 2001.

Product Type	Production			Import			Domestic Sales			Export		
	2000	2001	Change (%)	2000	2001	Change (%)	2000	2001	Change (%)	2000	2001	Change (%)
Refrigerator	1489773	1407105	-6	124690	67766	-46	850737	566040	-33	650826	836206	32
Washing Machine	713307	528475	-26	178999	109602	-49	783447	417204	-47	136037	205012	50
Dishwasher	209223	114250	-43	121075	60896	-50	263344	147035	-44	45053	29660	-34
Oven	586770	543357	-14	29067	18692	-43	284709	159026	-41	285482	396179	33
Total	2999073	2593187	-14	453831	256956	-43	2182237	1289305	-41	1117398	1487059	33

Source: Kobi Efor, October 2001, 25: 35.

According to State Institute of Statistics data the capacity utilization rates of sector are 70.8 for 1995-1996 period, 80.8 for 1996-1997 period, 77.8 for 1997-1998 period and 74.5 for 1998-1999 period (State Institute of Statistics, Annual Manufacturing Industry Statistics, 1995-1998).

3. 2. The Case Study - Arçelik A.Ş.

After a general overview about white goods industry in Turkey, detailed information will be given about Arçelik White Goods Operation.

Arçelik was established in 21.01.1955 to produce metal office furniture. In 1959, the company began manufacturing washing machines. Arçelik subsequently began manufacturing refrigerator, dishwashers, air conditioners, oven, vacuum cleaners, compressor, multi-goal motor, motor and pump in five Turkish factories. Detailed information about these factories can be seen in Table 5. Arçelik have no manufacturing plants outside of Turkey.

Table 5: Arçelik A.Ş. Production Facilities

Product Type	Capacity (Thousand/Unit)	Closed Area (m ²)	Labor Force	Location
Refrigerator	1400	57000	1518	Eskişehir
Washing Machine	1350	35000	740	İstanbul
Dishwasher	800	34000	436	Ankara
Oven	1425	44000	423	Bolu
Vacuum Cleaner	800	6600	160	İzmir
Motor & Pump	5184	45000	592	Istanbul
Compressor	2500	40000	859	Eskişehir
Multi- Goal Motor	380	43000	299	Istanbul
Air Conditioner	180	6000	120	Istanbul

Source: IMKB, Şirketler Yıllığı, 1998.

Arçelik A.Ş. exports income (million US\$) making Arçelik the sixth-largest European manufacturer of household appliances and the only significant white goods manufacturer between Italy and India can be seen in Table 6.

Table 6: Arçelik A.Ş. Export Income (million US \$)

Years	1998	1997	1996	1995
Export Income	165	114	76	75

Source: IMKB, Şirketler Yıllığı, 1998.

Arçelik exported to the listed in Table 7, which reports 2001 unit sales of refrigerators and washing machines by market.

Table 7: Value of Arçelik Exports, by Destination

Destination	Percentage
United Kingdom	28 %
France	18 %
Other European Union	14 %
North Africa	17 %
Eastern Europe and Central Asia	6 %
Other	17 %

Source: Company records.

Arçelik's unit market shares for 1995 to 1998 are reported in Table 8.

Table 8: Arçelik A.Ş. Unit Market Shares

Product Type	1998	1997	1996	1995
Refrigerator	% 50	% 52	% 56	% 55
Washing Machine	% 56	% 60	% 61	% 64
Dishwasher	% 64	% 68	% 70	% 76

Source: IMKB, Şirketler Yılı, 1998.

Since 1993, "Quality Award" is given by TUSIAD (Turkish Industrialists Association) and KALDER (Quality Association) in Turkey.

"The Quality Award" aims at;

- Increasing the awareness of quality,
- Enhancing the attitudes of enterprises towards the concept of quality,
- Introducing successful quality strategies for the use of Turkey (TUSIAD-KALDER, 1998:75).

Criteria for the Quality Award are:

- Human resources management,
- Leadership,
- Policies and strategies,
- Resources,
- Processes,
- Customer satisfaction,
- Impact on the society,
- Result of work.

In 1994, QCC implementation started. Özkanlı and Ateş (1999) examined a few typical examples of problems resolved by quality circles in the company. By 1995, all Arçelik plants had received ISO 9001 quality certification. In 1997, Arçelik Dishwasher plant in Ankara won the "Quality Award". Especially in the area of human resources, Arçelik prided itself on lean management, with only four levels in the organization. The work force is highly educated and many Arçelik managers had attended business schools in North America and Europe.

Arçelik sold white goods under two brand names, Arçelik and Beko. Most Arçelik products outside Turkey carry the "Beko" brand name. Beko is also marketed as a "world brand". Beko retailers capitalized on the brand's penetration of export markets as a signal of quality to Turkish customers. In 1994, Arçelik's Beko brand received a "Green Dove Award" from the European Community for attention to the environment in design and production. The reason for this is that, washing machines are more water and energy efficient than competitive products, as well as refrigerators made from materials that were 80% recyclable and incorporated special insulation panels for greater operational efficiency. In 1998, Beko won the "Europe Total Quality Award". Besides, Beko won the "Total Productivity Management Excellence Award" which was given in Japan by Japanese Institute of Plant Management (JIPM) on November 6, 2001. Moreover, Arçelik won the "Most Admired Company Award-2001" which was given by Capital Journal and Accenture in Turkey.

The mass production started on October 20, 1993 in Arçelik Dishwasher Plant (Ankara). In 1995 a reengineering project began in Arçelik. According to this project, in Dishwasher Plant in Ankara-Sincan the organization chart changed. There was hierarchy in the former organization chart, which can be seen in Figure 2.

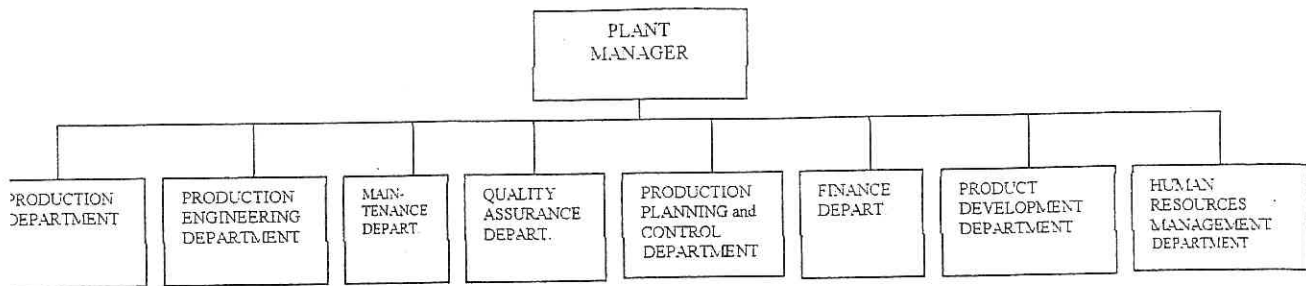


Figure 2: The Former Organization Chart of Arçelik Dishwasher Plant (Ankara)

Arçelik prided itself on lean management with only four levels in the new organization chart (Figure 3).

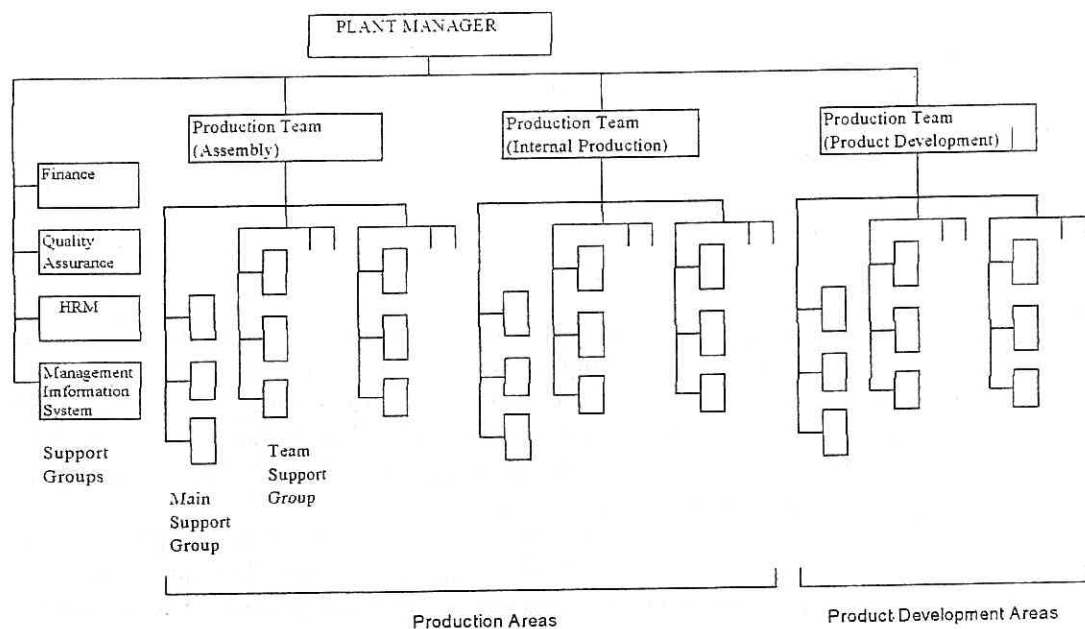


Figure 3: The New Organization Chart of Arçelik Dishwasher Plant (Ankara)

The people of Arçelik are the company's most valuable resource. They are the primary means by which Arçelik goals and objectives will be attained. Arçelik management, believes that it is essential to provide an organizational structure and work climate which respect the dignity and worth of individuals, encourage the initiative of each employee, challenge individual capabilities and provide equal opportunity for development and equitably reward good performance. The main HRM areas considered in the case study are staffing, training and development. The systems used in these processes and the problems faced will be explained in the following chapter.

3.2.1. Staffing

In order to meet strategic demands in Arçelik A.Ş., exemplary staff who possess both personal and technical skills are hired in all levels of the organization. The HRM manager mentioned that, in some cases, personal skills are more important than technical abilities. Also the GM of Arçelik A.Ş. mentioned that, the enterprise has the responsibility not only for providing employment but also education, medical facilities and social services for all its employees and their families. The human resource function including recruitment, selection, performance evaluation, and compensation is very effective in Arçelik A.Ş.

The systems used to manage the staffing process in Arçelik A.Ş. include university recruiting, advertising of job openings in newspapers, and professional journals, skill tests, group interviews, and policies on transfers, promotions, and layoffs. Arçelik A.Ş. mainly recruits employees from the outside. They advertise in local newspapers also. The applications by e-mail, mail, fax or job request form are being accumulated in "Application Pool" which creates synergy in recruitment process. When needed applicants with necessary skills are invited to HR department, HR managers conduct interviews and written examinations to select the most suitable candidates. Following general ability tests and assessment center applications final decision is given. In Turkey, it is generally held to be prestigious to be able to join Arçelik A.Ş. The employees do not expect to receive higher pay and better welfare; the prospect is also a challenge to them. They felt that joining Arçelik A.Ş. constituted an opportunity for them to display their talents, skills and competence.

The criteria for the selection of the staff and the labor force are youth, good health, skillful, and relatively high education level. For the managerial level, English language skills are desirable. So far, most of the employees are engineers and technical workers. They have many years working experience and an education of university, college, and professional school.

The case shows that, selectivity in staffing is positively related to firm performance, since sophisticated selection procedures are designed to screen out all, but the very best potential employees. Qualified employees are crucial for improving product quality, developing new production, marketing, and producing high quality production.

3.2.2. Training and Development

Training and development are a major emphasis at Arçelik A.Ş. There is a "Training Center" in Istanbul. The systems used in this process include skill development programs, coaching by a supervisor, general management courses, and training seminars. There is a two week orientation programme for new employee. In this programme, company and museum visits are also included. Training focuses on personnel, managerial, and technical skills. In addition, training is provided on the company strategy or the Arçelik's culture in order for those employees, especially managers, to be able to better identify and understand the enterprise. The extensive amount of training provided to employees to be worthwhile, and managers feel they are sufficiently qualified to perform their jobs. At Arçelik, salaried staff (e.g., supervisors and managers) receives training in technical, continuous improvement, supervisory and interpersonal skills. Several training courses are given in "Training Center". The goal is to provide managerial, administrative, and technical staff with intensive training. The estimated employee training programme lasts two years. Arçelik A.Ş. stresses the importance of training to enhance employee teamwork and production quality. Training for production employees is mostly on-the-job, but other opportunities for training are also offered; for example, trained staff such as managerial, administrative, and technical staff, they also take responsibility to train production employees.

4. Conclusion

This research has provided empirical evidence on the linkage between HRM and performance of large industrial firms in Turkey. The research findings of the study should provide some insights into the formulation of effective HRM. The paper concludes with a number of suggestions based on the findings of theoretical and empirical parts. Some of the suggestions are following:

- Selection practices need to take into account the traits and behaviors required for successful leadership in the particular setting. For example, in selecting supervisors, fewer participatory skills may be required if the job is supervising workers on an assembly line rather than several self-managed work teams. Someone supervising untrained workers is likely to need greater skills in assigning tasks, training, and reviewing deficient work than someone supervising highly skilled subordinates. Recruitment and selection procedures might have additional focus that includes searching out candidates who have abilities and interests in teamwork.
- Programs in training and development need to help supervisors and managers acquire a range of leadership skills that can be used under changing circumstances. As organizational performance depends on effective team leadership and interaction, all team members should be trained in effective team behaviors. Arçelik A.Ş. in which self-managed teams are used tends to involve all team members in team skills training, including group decision-making. Quality control circles are used so training in-group dynamics and team decision making have to be given to QCC.
- Finally, human resources manager and the professional staff need to exercise effective leadership in planning, developing, and managing the various human resources matters is shared with others, effective interaction with top managers and supervisors at all levels is essential.

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