

TRIGGERING TRANSITION
TO RELATIONSHIP MARKETING:

THE CASE OF
INTERBANK

MBA THESIS

- S.SERDAR ÇALOĞLU
ANKARA, FEBRUARY 1994

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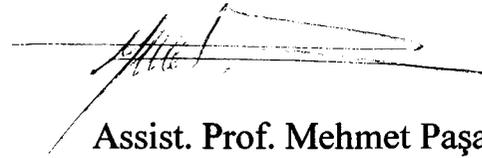
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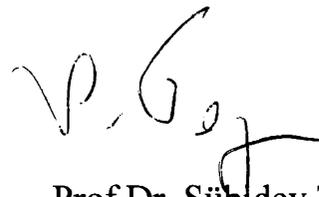
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Approved for the Graduate School of Business Administration.



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ABSTRACT

TRIGGERING TRANSITION TO RELATIONSHIP MARKETING: THE CASE OF INTERBANK

by
S. Serdar ÇALOĞLU

SUPERVISOR : ASSOC.PROF. GÜLİZ GER

ANKARA, February 1994

Turkish Banking, with the developments in the economy, has faced many changes during the last 10 years. Turkish banks, when compared to the banks in the western countries, seem very competitive in financial products. However, it is evident that Turkish banks have been implementing sales techniques in their relations with customers instead of marketing concept.

In order to impose relationship marketing concept to a bank which has adapted to sales approach, an organized and systematic change program should be developed.

This study deals with a transition attempt of a major Turkish bank, Interbank, to relationship marketing from sales approach. The thesis analyzes a relationship marketing oriented change program offered by a university for Interbank. The study includes the analysis of the process of the program and its impact on Interbank's culture. The impact analysis has been made with the help of the observation of changes occurred in Interbank in an eight month period starting from the competition of the program.

ÖZET

İLİŐKI YAKLAŐIMLI PAZARLAMACILIĐA GEÇİŐ:

INTERBANK VAKASI

S.Serdar ÇALOĐLU

YÜKSEK LİSANS TEZİ

TEZ YÖNETİCİSİ : Doç.Dr. Güliz GER

ANKARA, ŐUBAT 1994

Son 10 yıldaki olumlu ekonomik gelişmeler neticesinde Türk Bankacılığı da önemli ölçüde bir deđişim yaşamıştır. Finansal ürünler konusunda, batı ülkelerindeki bankalarla kıyaslandığında genel itibariyle son derece yeterli görünümde olan Türk bankalarının pazarlama faaliyetlerini daha çok satış zihniyeti sınırlaması içinde yürüttükleri gözlemlenmektedir.

Pazarlamanın sadece satış olmadığını, satış kültürü oluşmuş bir bankada empoze etmek ancak kapsamlı ve sistemli bir geliştirme ve deđişiklik programı ile gerçekleştirilebilir.

Bu çalışmada, satış yaklaşımını tüm pazarlama faaliyeti olarak geliştirmiş ve bu bağlamda bir kültüre sahip olmuş, sektörün önemli bankalarından biri olan Interbank'ın satış zihniyetinden, "ilişki bankacılığı"na geçiş çabası bağlantısında adapte olmaya çalıştığı bir geliştirme ve deđişiklik programı incelenmektedir. Bu programı bir vaka analizi olarak inceleme dışında, 8 aylık bir dönemde programın etkileri ve bankaya katkıları incelenmektedir.

ACKNOWLEDGMENTS

I am grateful to Assoc. Prof. Güliz Ger and Assoc. Prof. Oğuz Babüroğlu for their supervision and constructive comments throughout the study. I would also like to express my thanks to the other member of the examining committee, Assistant Prof. Mehmet Paşa for his contribution.

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1 . INTRODUCTION

It is often a cliché to say that a country is "at crossroads". 1980's were the years of fundamental transition for Turkey and its future. Environment of the Turkish Economy has gained new dimensions with sharp reforms. Almost all the sector performances have grown tremendously through the recent years. Most of the primitive type of regulations and limitations which had been the barriers to economic success have been dissipated by the government.

The new economic environment in Turkey and the reforms posed strategic challenges to firms. Incentives and encouragement coming from the government would not be enough to strengthen the performance of firms. Besides the macro-level developments, firms should reach the requirements of contemporary business administration principles.

Marketing has always been a major concept in business life, being an irresistible part of the strategic approach of firms. Its significance has increased in perfectly competitive market environments. Searching for excellence in marketing has become the major struggle for business people.

The main frame of this study is the banking sector in Turkey. Turkish banking sector has gained a new phase during the recent years with the developments of other sectors. "Marketing" approached banking has been introduced. New banks were founded by setting up their strategies as utilizing marketing concept to satisfy customers. Yet, even though most of these new banks have had successful results and become the locomotive banks of the sector, they actually adopted to sales orientation instead of marketing. This rhetoric of marketing, has been started to use widely among the banks in Turkey.

The main necessity for adaptation of banks to environment conditions could be obtained by increasing the level of knowledge in variety of subjects. This could be accomplished through training or development programs for all employees. Many banks have been using different methods of training their people in order to become more competitive in the sector. However, the subject of marketing has often been forgotten or ignored by most of the banks. Instead, they mostly choose lectures on sales activities in their development programs.

The distinction of marketing from sales is not well understood. Some banks do not even realize that there are differential factors sales and marketing.

It would be both interesting and useful to analyze a process of a marketing development program for a sales oriented bank. Such a development program would have many resistance to its objective since it would challenge the mindset of that bank. Perhaps, it would never reach its objective unless some strategic changes are accepted.

In this study, a medium size commercial bank, Interbank, is selected for such analysis. Interbank, as a very old commercial bank in Turkey has been one of the pioneers to implement a contemporary form of commercial banking. When the market conditions become very competitive, Interbank has realized that it needs to enhance its marketing strength.

For the purpose of enhancing Interbank's marketing strength an academic help came from a university. A marketing oriented change program was designed and offered to Interbank to adopt. This program would mean a culture change since the bank is strongly oriented to sales. Unlike regular training programs, this development plan should have much more than only giving lectures about the theory of marketing. The program was designed in such a way that participants, after scanning existing marketing principles of the bank, could realize themselves the deviations of Interbank's implementations from marketing concept. After having people gain these common thoughts, the culture change program supported its objective of imposing marketing concept through lectures consisted of case studies. Participants were expected to be much more motivated to follow such a program in which they found problems in Interbank's strategies and created solutions and suggestions for them.

This thesis is a limited attempt to document this process. In the first part of this thesis, I focused on the market conditions, economic environment and Interbank's performance in the market in order to express the necessity for Interbank to take strategic actions in order to have a competitive advantage. Then, I analyzed the effects and the defaults of this specific marketing oriented change and development program from its objective.

Since I was a participant in this program, I have had a chance to analyze the whole process as a close observer as well as the impacts of the program on Interbank. I also included a performance evaluation for the change program offered by the university. Besides the self observations in the program, I also utilized interviews and surveys that I made with the participants of the program.

2. ECONOMIC ENVIRONMENT AND BANKING SECTOR IN TURKEY:

'24 Ocak Kararları' and its effects of extensive economic liberalization movements has made the banking sector one of the most profitable ones in Turkey. The international trade volume has increased 10 times as much in a 7 year period. Economic improvements, political consistency and other positive factors enhanced the intentions of the foreign investors to enter Turkish markets. For the first time in Turkish economy, political parties reached a consensus on the idea of privatization. All of these developments has also increased the need for institutional corporate banking services. Besides the multinational firms, big foreign banks also started to observe the improvements in Turkey. Some opened up branches in major cities where the big firms are located. They initiated "institutional banking" serving only a selected portfolio of customers all consisted of corporations. Turkish entrepreneurs followed them. Therefore, Turkish banking gained a new dimension.

Turkish economy especially after 1987 showed a turbulent progress with short time periods. Political stability started to disappear. People have lost confidence on nation's one of the longest serving government in terms of how it deals with the economy. Gulf Crisis in 1991 and an inconsistent atmosphere related to an early-election possibility caused an economic recession throughout the country. In 1992 economic activity regained power with an increase of growth rate from % 05 to % 5.9.

This turbulent environment affects all the sectors including banking with great respect. Different conditions coming from unstable economic environment yield banks to hedge themselves with various strategic implementations. A good indicator of how the economic environment changes affect banking service needs would be the distribution of the financial assets. The Table 1 in the appendix shows how consolidated Financial Assets has changed structure during the last years.

The structure change on Financial Assets points out the biggest share belongs to the marketable securities issued by the government (T-Bills & T-Bonds). Turkish government keeps constantly issuing high interest bonds with an increase. While time savings was the most desirable asset type in 1986, people

intended to keep their savings by purchasing treasury bills and bonds. A further reason on explaining this overwhelming demand for this type of an asset is the fact that the government legalized 'repurchasing' with no tax for both firms and individuals.

Turkish economy in 90's faces a problematic situation : budget deficit. Government considers of using many alternatives to narrow this gap. Privatization movements, a detailed tax reform and decreasing public expenditures seem to be the courses of actions that will be implemented for long term. Yet, in short terms and planning, Turkish Government has used two methods to finance budget deficits. One method that the government implemented before was to devaluate Turkish Lira exchange rate over other currencies. By the year 1986, Central Bank adopted a program called 'Money Program' (Para Programı) disabling rapid changes in currency rates. Government has kept using the second alternative left for management of the budget deficit finance. It has increased the level of interior debt.

2.1-) Turkish Economy in 1992

Less satisfactory aspects of the economy continued to be the budget deficit and the inflation . The budget deficit has jumped from 32 trillion to 56 trillion TL. There are several reasons why the deficit has not been reduced or contained - the first is the encouragement of increases in government employee salary and wage payments, a natural result of election promises. The second is the failure to control State Enterprise losses. The third is the failure to achieve the targets for privatization and finally inability to increase tax revenues.

The ratio between Public Sector Borrowing Ratio and Gross National Product reduced slightly from 14.4 % to 12.6 % but still too high, reflecting the continuing heavy burden of loss-making State Enterprises, as well as the increasing share of wages and interest payments in the Consolidated Budget - a figure that has aroused criticism from the IMF and the World Bank.

The first months of 1992 saw a narrowing of the spread between devaluation and the rate of interest to 5 %, but since that time it has widened to no less than 17 % - making Turkish interest rates the highest , in real terms, in the world.

The revived economy had its predictable effect on imports and exports. Imports increased to \$ 23 billion while exports went up to \$ 15 billion . Tourism sector recovered very well in 92. Although the total foreign currency reserves declined from \$ 13 billion to \$ 11 billion during the beginning of 92 as a result of reduced real interest rates and accelerating devaluation, they have vastly improved since then and finished the year with a record high of \$ 16 billion.

Some of the economic indicators of the Turkish economy for the recent years are shown in tables 2 through 4 in the appendix of the thesis.

2.2-) Growth of the Turkish Banking Sector

The Turkish banking sector, in parallel to the 5.9 percent real growth in the economy and the rapid developments in the foreign trade, increased its assets by 87 % , the highest growth rate in the last five years. The consolidated balance sheet total exceeded TL 550 trillion at the end of 1992 .

Off balance sheet activities had a more accelerated growth , expanding 105 % to TL 229.1 trillion. Private banks with their 64 % market share in total assets constituted the most active group. While public banks reduced their share to 28.6 percent from 30.2 % , foreign banks increased their share to 7.4 % from 6.3 % in one year.

Liquid assets showed the most rapid growth in the consolidated balance sheet of the sector. Cash and due from banks increased by 100 % exceeding TL 150 trillion. Cash requirements reached at TL 30.5 trillion with an increase of 81.5 % . In 1992, the securities portfolio of the banks reached TL 62 trillion, and was among the balance sheet items which showed a real increase. The composition of securities portfolio, mainly consisting of treasury bills and government bonds showed some changes in 1992, according to bank groupings. While the public banks' share of securities holdings increased to 50.2 % , the share of private banks decreased to 44.5 % from 50.9 %.

In the sections below, significant parameters for banking sector and their developments for the year 1992 are analyzed:

2.2.1-) Loans

Banking loans grew 12 points above inflation and exceeded TL 231 trillion. While the loans of public banks with a one point decrease formed 51.8 % of the consolidated credit, the share of private banks increased to 44.8. The share of foreign banks in loans stood at 3.4 %.

Non performing bonds increased slightly in 1992 and gross non-performing loans of Turkey's banks rose to TL 7.8 trillion. Even after provisions for loan losses were set aside, it stood at TL 3.2 trillion. In terms of non-performing loans, public banks held 68.8 % share. The share of private banks in non-performing loans increased more rapidly than from 1991 to 28.1 % in 1992 . Foreign banks held a 3.1 % share in these non-performing loans.

The second fastest growing item in the consolidated balance sheet in 1992 was fixed assets. These grew 90 % to TL 27 trillion, negatively affecting the free capital of the banks.

2.2.2-) Deposits

Deposits were the major source of funds for Turkish banking system in 1992. Despite an 84 % increase in deposits, the share of deposits within the total liability declined two points to 55 %. The TL foreign currency composition of deposits, in line with the general trend since 1989, changed in favor of foreign currency deposits

The TL foreign currency deposit structure was approximately 60 % - 40 % as a result of a rapid expansion of foreign currency deposits in 1992. It was 80 % - 20 % before 1990. Chronic high inflation was the major factor why Turkish banks are increasingly dependent on foreign currency.

During the last two years the return on TL was very high and the depreciation of TL against other currencies was below the inflation rate. Deposit holders preferred putting their savings into foreign currency accounts indicating the lack of confidence in TL and the expectation of an increase in foreign exchange rate.

Looking at the distribution of the foreign currency deposits among banks, private banks had the largest 60 % share during the last three years, while public banks and foreign banks had 38 % and 2 % shares respectively. Foreign currency deposits consisted 80 % of time 20 % of demand deposits, whereas the respective shares for TL deposits were 65 % and 35 %. 70 % of the deposits in the sector were time deposits and 30 % demand deposits.

Another important change in deposits was in the consolidated saving deposits which increased by 10 points below inflation, standing at TL 89.7 trillion, a real contraction in 1992. The real decline in savings deposits was relatively much more important in private banks, than in public banks.

2.2.3-) Borrowed Funds from Financial Institutions

The strategy of decreasing the weight of savings deposits, which in funding create high costs to banks, was widely adopted in the system. Turkish banks increased their use of borrowed funds, mainly from foreign sources, in this direction.

Borrowings from domestic banks, which in last two years increased at a higher rate than inflation, rose to TL 11.8 trillion by year-end. Borrowed funds from abroad increased rapidly reaching TL 58.7 trillion by the end of 1992. Private banks held a 67.5 share in this funding. About 16.7 % of the foreign funds in the system came from public banks and were almost equal to the foreign bank's share in 1992. Public banks thus failed to use this source of relatively low-cost funding sufficiently.

Central Bank intervention on deposits, high interest rates on Turkish Lira, and low exchange rate policy were the main reasons why banks turned borrowing from abroad for funding in the last three years, especially in 1992.

Transfer of borrowed funds in the foreign exchange into Turkish Lira loans led the banks to operate in short positions and to the increase in exchange rate risks in the system.

2.2.4-) Equity Capital

Consolidated equity capital of the sector stood at TL 35.9 trillion with a 58.3 % increase in 1992. Hence, the increase in equity capital stayed at a lower level compared to the increase in fixed assets. This situation caused free capital to be TL -4.5 trillion. Sector's free capital was calculated at TL -7.6 trillion, with the inclusion of non-performing loans-net in permanent assets. Profitability of equity capital , falling behind inflation resulted in a limited growth of the capital base. In other words the banks' capital bases could not cover their permanent assets.

2.2.4-) Consolidated Net Income

Although the current year profit in the sector increased 107 % in 1992, 41 points higher than the inflation, the return on equity continued to remain behind the rate of inflation.

When we examine the distribution of net income among banking groups, the profitability of public banks was about half of the banks in 1990 and in 1991. In 1992, the net income of the public banks was above 85 % of the net income realized by private banks.

Net interest income in 1992. as in previous years was the main contributor to the sector's net income, growing 81.3 percent to TL 37.7 trillion. Private banks

were 10 points ahead of public banks with a rate of 51.5 % in the distribution of net interest income. The foreign banks' share of the consolidated net interest income was 6.6 %.

Because of growing competition in the sector, the rate of increase in net income from commissions of the banks was 5.1 trillion. Private banks held the biggest share in the consolidated commissions income at 60.8 %. Public banks maintained their share at 35.3 %, and foreign banks' fell by two points to 3.9 percent.

The banks gave more emphasis to foreign funding in 1992. The change of foreign exchange sources into TL loans led to sharp increases in net interest income of the sector, but foreign exchange losses rose 148 percent to TL 6.7 trillion in 1992 . Private banks held the 85 % of sectors foreign exchange losses, providing funding mainly from abroad. Public banks, which preferred a relatively balanced foreign currency funding, and foreign banks had equal shares in the sector with 7.5 % each.

Consolidated net gains from capital market operations made the same approximate contribution to the sector profit of 1992 as net income from commissions. In 1992, gains from capital market operations was TL 1.7 trillion , increasing a rapid 200 % and becoming TL 5.1 trillion. Private banks realized 58.8 % of net income from capital market operations. Public banks and foreign banks 37.3 % and 3.9 % shares respectively.

2.2.5-) Performance Indicators

The Turkish banking sector in 1992 had its highest growth as a result of rapid expansion in economic activities. The consolidated balance sheet increased 87 %, which was 21 points higher than the 1992 inflation rate. However, the rapid growth in the sector, caused a slight deterioration in capital adequacy ratios. The financial autonomy ratio decreased to 6.49 % from 7.06 %, while the ability of equity capital to cover total exposure declined to 4.59 % from 5.57 %. The leverage was 11.49 (times), reflecting a reasonable equilibrium in borrowed funds versus equity capital. The significance of the capital ratios was

diminished by the fact that there was TL 4.5 trillion shortage of equity capital to finance permanent assets.

In 1992, the share of loans in bank assets decreased by two points from 1991 and by points from 1990 to 41.8 %, due to the rapid increase in the placements to liquid assets.

The share of non performing loans-net within loans contracted by half points to 1.34 %, due to the low 8.3 % increase in non-performing loans in public banks, although the increase in private and foreign banks was 52.9 %. If the public banks had increased their non-performing loans-net and the provisions at level as private and foreign banks, the asset quality indicators of the sector would have been more realistic.

In 1992, the liquidity of sector increased due to the relatively smaller increase in loans compared to liquid assets. The share of liquid assets in total income jumped to 86.69 % from 71.61 %. The interest yield of assets increased from 7.04 % to 8.886 % and the average yield on loans reached 45.01 %. Average return on assets increased to 2.76 % in 1992 from 2.43 % 1991, while return on equity rose to 40.03 % from 31.38 %. This was still 26 points below the 1992 inflation figures. The increase in the profitability of the sector was due to the high profit figures in the balance sheets of public banks. It was not possible to determine the real profitability of the sector in 1992 because most of the public banks did not disclose their external audit reports.

But since public banks decreased their provisions for non-performing loans by 50 % 1992 and had set less provisions than private banks; they seem to have achieved high profits. Under the assumption that these banks are in conformity with reality, the net profits of public banks increased 5 times over the previous year and return on equity was much higher than private banks. Under current conditions it seems not realistic to expect from public banks to improve their operations at such a high rate in one year to operate more profitably than private banks.

When the biggest public bank is excluded from these calculations, profitability indicators have completely different values, and asset profitability decrease to 1.89 % from 2.76 %. The return on equity decreases to 26.73 % from 40.03 %.

In brief, despite the profitability performance of the Turkish banking sector, the increase in total profits of the sector was due to the high profits declared in the balance sheets of public banks. The profitability ratios of private banks had relatively low values with respect to previous year.

3-) INTERBANK

3.1-)History and the Background of Interbank¹

Interbank has been ruled by the highly qualified professionals and their management teams especially after 1980's. These CEO's played significant roles on business strategies and planning of the bank. Therefore, it would be proper to divide the history of the bank into 2 major parts:

- * Interbank before 80's
- * Interbank after 80's

Then the second part of the history should be analyzed in three groups:

- . Term of Erol Aksoy
- . Term of Vural Akışık
- . Term of Melih Elmas Araz

3.1.1) Interbank Before 1980's

Interbank is one of the three Turkish Banks having a history of more than 100 years. It was founded in 1888 by the name of " Selanik Bankası " as a partnership of a group of financiers from Austria, Hungary and France. In the early times of the new Republic, due to a bill signed by Turkish Grand National Assembly, the capital was converted into Turkish Liras from Francs . In 1969 the bank was purchased by Turkish share-holders. The name was changed as "Uluslararası Endüstri ve Ticaret Bankası".

In 1975, when Çukurova Holding Companies purchased the shares of Yapı Kredi Bankası which was one of the nation's biggest banks, Uluslararası was also sold to the group. Uluslararası was a subsidiary of Yapı Kredi Bankası.

Most of Interbank's shares belong to Çukurova Group which has a large amount of firms whose activity fields vary from Iron-Steel industry to electric

¹ The history of Interbank has collected from the data of the search conference of the program.

utilities. The group also owns two other banks (Yapı Kredi & Pamukbank) whose marketing and business strategies differ a lot from Interbank's.

3.1.2-) Interbank After 1980's

Interbank, unlike the other group banks focus much on large corporations offering them more institutional banking services. After the 'Principles in January 24' (24 Ocak Kararları), banking notion in Turkey has started to change. Government gave incentives to activities which develop international trading. With new bills assigned, export and import activities were liberalized. In a very short time of period, international trade volume in Turkey grew enormously. Meanwhile Industrialists and traders in Turkey needed much more qualified services from banks than they had been getting before. Interbank has quickly adopted these new implementations by employing well-educated professionals both in financial subjects and marketing.

3.1.2.1-) Term of Erol Aksoy (1980-1984)

In the early years of Mr. Özal's administration, Uluslararası recruited Erol Aksoy as the general manager. Mr. Aksoy is a Harvard Business School graduate with extensive experience in banking from back to the years he stayed in the US. Uluslararası with Erol Aksoy's management pioneered 'Credit Marketing' concept in Turkey. Just like any other commercial firm, Uluslararası started making promotional activities.

Uluslararası brought new concepts and areas to Turkish Banking. Merchant banking, investment banking, personal banking are some of the fields which were introduced during his term.

Uluslararası's organizational structure and team differed from other banks. Unlike other banks, Uluslararası had more flat organizational structure. The bank started to focus on human resources issue much carefully. Highly qualified people were recruited for the marketing team of the bank.

With all these promotional activities and with the advantage of being first in such banking implementation, Uluslararası captured 15 % of International trade volume among all the banks in Turkey.

3.1.2.2) Term of Vural Akışık (1985-1988)

In 1988, Erol Aksoy resigned to set up his own bank (İktisat Bankası). Interbank's worst days started when İktisat Bankası convinced as many as 300 Interbank professionals to resign from Interbank and work for İktisat.

After Interbank's initialization of 'contemporary banking', in one year some other groups of companies followed the same track. Many new banks opened up with the intention of the same structure and marketing strategies as Interbank and İktisat has had.

After Erol Aksoy's term, Vural Akışık was assigned to the head of Interbank serving till 1988. During that period (1985-1988), Turkish economy started having difficulties in macro levels. High inflation, budget deficit were the major problems that the government was facing. This factor made bankers to be more conservative on their relations with customers, especially giving loans. Some of the loans given could not be repaid by the borrowers.

In 1986 Interbank had 18 branches and around 1000 customers which mostly big firms and corporations. After 1986, Interbank started focusing on mid-size firms by offering specialized banking services. The bank started working with the firms in textile and leather sector.

Çukurova Group Companies' financial needs started to be handled by the group banks. Therefore Interbank began to give loans to group firms. Interbank's credit risk for the Çukurova Group Companies raised to 33% of all the credit volume.

In 1987, a computer network (on-line) system was placed among the branches and the divisions of the bank. This caused faster and more accurate service to customers.

3.1.2.3-) Term of Melih Elmas Araz (1988-)

Melih Araz, a former Citibank executive has been assigned as the CEO of the bank in 1988. Meantime Turkish Economy started getting into a recession. For the first time in 6 year period GNP growth stayed lower than 2 %. Some of the sectors like textile, tourism, leather had serious financial problems. Many firms went to bankruptcy with unpaid balances of bank loans.

Interbank has adopted new strategies with the new general manager. Mr. Araz's first action was to reduce number of branches of the bank. This idea of sizing down aroused as a natural necessity of the recessive economic environment. With the same strategy, employee number was reduced. By the year 1991, Interbank lowered down its branch number to 10 from 14 and the employees to 500 from some one thousand people . This auto-reduction process continued in 1992 and 1993 by closing up two more Istanbul branches.

Interbank's focus on customers has been narrowed to the dimension of relations with only the top 300 biggest companies in Turkey. Interbank's customer portfolio used to be much larger with some 1500 customers by 1988. By the yaer of 1988, Interbank's share of International Trade volume was 3%. The main objective was to capture as much service as these 300 companies need in export and import as well as other banking products. The name Uluslararası was changed to 'Interbank' with the consideration of its more easily pronounceable for foreigners.

Another remarkable action has been taken in Interbank's subsidiary firms' structures. Intertech, a computer system back-up organization was reorganized as an independent enterprise with a marketing team. Interlease , a leasing unit was established and encouraged to offer existing customers leasing products. Finanscorp was established for the customers of the Stock Exchange. Two partnership was set up with foreign specialist companies in different fields: InterKauko and Heller Factoring. InterKauko's objective was to observe Union of Independent States (BDT) with the expertise of Kauko, a Fin company that has been doing business with Soviet Union for years. In the factoring area, Yapı Kredi Bankası and Interbank became partners with Heller CO., a factoring expert in Europe to work in Turkey.

By the year 1993, many of these subsidiaries still exist except for InterKauko. InterKauko has been terminated since it could not expose a satisfactory performance.

3.2-) Organization Structure of Interbank:

Interbank's organizational structure has often been revised due to the economic and political changes in Turkey. The reason behind these often changes is the fact that some units of the bank becomes unnecessary with government's new regulations or some others become ineffective or non-profitting with the changing economic conjecture. At the beginning of each year, top management discuss the performance of the economy and the activities of the bank. These detailed discussions might yield new formations of the organizational chart.

If the organizational structure of Interbank is analyzed in terms of marketing activity, there seems to be two major parts: general management divisions and the branches most of which have a senior vice president as the group head. Some organizational units are "profit centers" while the rest do not have an objective of making profit.

Profit centers in the bank are the branches, Merchant Banking Department, Private Banking, Capital Markets, and Finanscorp.

3.2.1-) Branches:

Customer affair initialization are being taken care by the bank branches located in the different parts of Istanbul and other major cities. In Istanbul branches there are two major divisions: the marketing division and the operation division. Marketing team is responsible for customer services and delegating operation group to execute banking operations for customers. The operation group in branches only deal with cash or check circulation. Other operations like preparing international trade documents are taken care by a larger organizational division called Centrops.

Branches located out of Istanbul have their own operation departments which take care all the operational work in the branch. Branch managers are directly linked to the general manager. Usually, major branches with bigger volumes are directed by senior vice presidents. Such as, in Karaköy Branch, Kadıköy Branch, Main Branch and Ankara Branch the branch managers are senior vice presidents. However, the managers of the smaller branches like Bakırköy Branch, Adana Branch, İzmir Branch are not senior vice presidents. All the managers of the branches however are directly linked to the general manager regardless of their title (whether he is a vice president or not). In other words, smaller branch managers could directly report to the general manager without getting through any hierarchical step.

3.2.2-) Divisions:

Once the customer starts working with the bank, general management's divisions supports branches with their subject fields. Therefore, a cooperation will take place in order to give the customer service. Besides these supporting divisions, there are other groups which deal with other organizational issues like Human Resources Department, Public Relations and Advertising, Treasury, Capital Markets, Merchant Banking (see in Figure 1 in the appnedix part.). Among the support divisions for customer relations, Centrops deals with the operational works, Credit Risk Management Division supports the branches with financial evaluations of the firms, Marketing Division coordinates the relations of the branches with customers and takes care of big projects and syndications, Law Department give supports to both branches and the customers on the issues of governmental regulations, bills and the law in general , International Affairs Division keeps in touch with foreign banks and corporations to coordinate the international trade agreements .

3.2.3-) Subsidiaries:

Interbank, outside its organizational structure, owns some subsidiary firms whose activities are outside the banking issues. Interbank also utilizes the products of these firms for its own relations with customers. The activity field of the subsidiaries are:

- * Interlease: a leasing company
- * Intertech: a company which designs and markets MIS and banking system technology
- * Intercon: a company marketing banking trainings
- * InterKauko: a company to observe business opportunities in Russia and the Union of Independent States
- * Heller Factoring: a factoring firm
- * FinansCorp: a brokerage firm for the stock markets.
- * Anadolu Kredi Kartları: a credit card company

3.3-) Interbank's Performance in Turkish Banking Sector in 90's

It is always mentioned that institutional banking was initiated by Interbank in Turkey in the early 1980's. As a natural result of fulfilling big corporations' financial needs in a more professional way than competitors, Interbank captured a high market share those years. In a very short time period, Interbank became one of the most profitable banks among the giant competitors, like Akbank, İşbankası and Yapı Kredi all of which are counted to be in the top 500 banks in world rankings . Highly qualified top managers, well educated employees, flat organizational structure, good management information systems are the factors which played significant roles for Interbank's success in those years. Being first in the market was a strong advantage that Interbank utilized for years.

Conditions of the Turkish economy specifically in the banking sector has started to change with great respect from 1980's to 1990's. The economic performance of the country went down in 90's comparing to 80's. Interbank's performance in the market has also been affected negatively. In this section of the thesis, the performance of Interbank by 1990's will be analyzed in different aspects. One of the most important dimensions of a performance evaluation of a bank in the market is a financial performance evaluation. In the next section, a detailed financial performance will be made for the years of 1990's. Later, other dimensions like service quality, innovation, market share and reputation are analyzed.

3.3.1-) Interbank's Financial Performance in 90's

Interbank raised its total assets by 84 %, to TL 6.6 trillion in 1992. Contingencies and commitments almost reached the balance sheet total and stood at TL 6.2 trillion at the end of 1992. In 1992 Interbank continued to pursue its funding strategy based largely on other banks' sources of funds. Borrowed funds increasing by 98 % and exceeding TL 4 trillion constituted 80.4 % of the bank's total funding. Borrowings from abroad increased a rapid 110 % to 3.4 trillion, widening their share in borrowed funds to 84.7 % in 1992 from previous year's share of 79.7 %. Deposits recorded a restricted 20 % growth to TL 618.5 billion, their share in total funding decreasing from 20.1 % to 12.3 %. The bank provided a source of TL 367.5 billion, by issuing of asset-backed securities with a low cost. In contrast with other banks, while foreign currency deposits rose an astounding 283 % reaching TL 228 billion. As a result these developments, foreign currency sources constituted a major 76.2 % of total funding.

Interbank' lendings after a moderate 38 % increase in 1991 rose by a rapid 99 % in 1992, exceeding TL 3.4 trillion. TL lendings grew 143 % to TL 1.3 trillion, while loans denominated in foreign currency increased a slower 79 % and stood at TL 21 trillion.

Turkish Lira loans increased their share in the loan portfolio from 31.4 % while there were some modifications in the composition of current assets. Cash and due banks rose a rapid 157 % to TL 1.4 trillion, and their share in current assets increased six points to 23.8 %. On the other hand, the securities portfolio increased a slow 20 %, decreasing its share in current assets by seven points to 17.4 %.

Interbank's net income rose by 103 % to TL 307.3 billion in 1992 . The main factor determining the increase in net income was the 162 % rise in net interest income to TL 943.1 billion due to strategy of investing foreign currency funds in TL assets. However, the same strategy caused foreign exchange losses to increase by 279 % to TL 409.3 billion. The severe competition in the sector, restricted the increase in income from banking services to 26 %, while

personnel and administrative expenses rose by 65 %. In 1992, capital market gains and gains on sale of permanent assets were TL 40 billion and TL 16.4 billion respectively.

Provisions for loan losses and taxes, which increased 85 percent and 172 percent respectively, constituted the other factors preventing the net income to rise to higher levels.

The ratios of 'financial autonomy' and ability to cover total exposure obtained internationally compatible values and reached the levels of 8.6 % and 4.44 % respectively. While the leverage being 8.15 (times) reflected the balanced debt- financing strategy, free capital funded 4.32 percent of gross earning assets.

The share of the loans within total assets increased by 4 points to 51.79 % in 1992. The rapid growth in the credit portfolio and the provisions for loan losses, decreased the share of non-performing bonds loans-net in total loans from 0.94 % in 1991 to 0.74 % in 1992. Some of the fixed assets and equity participations were sold, causing the share of permanent assets in total assets in total assets to drop to 4.74 %, positively affecting the asset quality. By the end of 1992, the ability of liquid assets to cover total funding and asset liquidity were 51.6 % and 36.3 % respectively.

There foreign currency asset-liability management strategy resulted with foreign exchange losses. On the other hand, it decreased the break-even yield by five points and increased gross earning assets yield by 1.5 points. Thus, the net interest return on assets rose to a very high 18.41 % in 1992, which was the main factor in profitability of the bank. In conclusion, Interbank's return on assets and equity increased from 5.38 % and 54.13 % in 1991, to six % and 66.53 % respectively.

Some of the market figures of Interbank are shown in the tables 5 through 8 of the appendix section of this thesis. As seen in the tables, Interbank's net income figure stands at the forth rank among all the banks in the sector. Total Deposits table simply shows that Interbank's sources of funds do not depend on deposits coming from customers.

In brief, financial construction of Interbank keeps its strength as it did in past years. One weakness could be pointed out that sources of funding are strictly dependent upon the borrowings from financial institutions outside the country. Keeping "open position" in foreign currencies (borrowing foreign currencies from foreign sources, converting to Turkish Liras, profiting on Turkish Liras and finally pay back loans) mechanism has brought higher profits to Interbank like many banks in the sector; however, strong dependency on this system and having no other source of funding make it riskier. In other words, if the economic situation changes so that devaluation becomes faster than the average revenue of TL in a year, Interbank would be affected negatively very much from this development.

3.3.2-) Service Quality of Interbank

In the early years of 1980's, Interbank introduced the " credit marketing" concept in Turkey which would really mean a system in which every customer has a customer representative in the bank. This new concept was actually imported from the banking models of some of the western countries like the U.S.A.. This representation is intended to be in such a way that the representative in the bank would be responsible of learning customers' needs and delegating bank employees for the works needed to satisfy these needs.

The introduction of this highly desirable system attracted customers' attention. In a short time period, Interbank's customer portfolio increased in numbers. In fact, the system has not been applied as it was intended to be. The account representatives started to focus only on the sales of banking products rather than satisfying customer needs in long terms. Making profits in short-run has become the major objective for an account representative.

Lack of knowledge of customers and having less alternative banks in the sector gave customers not much of a choice than working banks like Interbank till the late years of 1980's. By then, customers were happy to work with Interbank

since it gave the most practical services among alternative banks. As an example, while a firm opened a letter of credit for one of its import parties through couple of days in any bank in the sector, Interbank would have completed the same job in hours.

Interbank's service quality continued to be one of the highest in the whole sector through the years. Interbank's highly competitive human resource and information system supported this factor. However, there was a potential threat for Interbank since competition level in the market was increasing. By the early years of 1990's, new banks with the same profiles as Interbank has opened up. Some of these new banks seemed much more customer satisfaction oriented than Interbank. That would mean a possible decrease in Interbank's market share.

3.3.3-) Innovations:

Another way of measuring a bank's performance could be obtained by the analysis of innovations introduced by that bank. As it was mentioned in the service quality section, Interbank used to be a very innovative bank in the sector. Interbank, with its innovations played an important role in shaping Turkish finance sector. Almost all of the financial products used in western countries were brought to Turkey by Interbank in 1980's.

In 1990's, however, Interbank has lost its innovative specialty. Some of the Interbank top managers believe that this might be because of the fact that the financial markets have reached a saturation level in Turkey and all the products offered in the world have already come to Turkey. In spite of the ideas of these people, there are still some other banks which keeps making innovative actions in Turkey. New financial products or tools are still created by these banks. One significant example of this sort of innovations is "cash management" service initiated by Körfezbank, a very new bank in the market. Körfezbank has increased its market share significantly in two years after it was opened with the application of cash management. Interbank was one year behind of Körfezbank's first implementation of cash management.

3.3.4-) Market Share

It would be useful to put the banks in Turkey in two groups in order to analyze competition in the market: Public banks and private banks. Public banks have always had more advantages than private banks since the government strictly supports them in all ways. For example, it is mandatory for big public enterprises to work with only public banks. On the other hand, public banks have the disadvantage of having big and centralized organizational structures with no flexibility . They are far from being practical for customers in banking services. Thus, public banks are not the market population which we will be referring in this section of the thesis. Rather, we focus on the private banks.

Since there are various products offered in banking sector, different market share analysis should be made in order to realize the current situation of Interbank in the sector. Most significant dimensions for market share analysis are the international trade volume, net income , total deposits and total assets.

Among the private banks, Interbank has lost its market share in various dimensions through the recent years. Interbank's market share in the international trade volume decreased to 1.5 % in 1992 from some 5 % in 1984. The main reasons behind this decrease are the increasing market competition and Interbank's failure to keep its market share by implementing right strategies .

Interbank's market share in the consolidated net income figures of the banks seems to be satisfactory as shown in Table 8 in the appendix . Interbank is in the fourth rank being the first bank among the mid size commercial banks with a 7 % market share in 1992. It is necessary to put a comment at this point that customer diversification of Interbank is not so successful that this income figure was mostly obtained from a few number of customers. The dependency on a few number of accounts is a risky condition since there is always a possibility of losing these customers from business environment. Such a case would mean sudden decreases in Interbank's net income figures.

Most remarkable source of funding of a bank is the volume of the total deposits. Interbank's market share in total deposits are very low with % 0.25 in 1992. This is an implication that Interbank does not focus on deposit accounts (see in Table 5 in the appendix section). This is a natural result of Interbank's

strategy of avoiding individual accounts through years. Interbank, as mentioned earlier, uses borrowings from foreign sources as the major sources of funds. This would be another risky situation for a bank, if the economic conditions of Turkey changed.

Finally, Interbank's total asset share in the market is low as well, comparing to other mid size banks in the sector. Interbank is in the 17th rank in the list of all banks with 1.58 % market share.

3.3.5-) Reputation of Interbank

There are two reputation aspects of such a bank as Interbank. One of which is how the business environment in the country evaluates the bank and the other is how the other financial institutions, especially the foreign banks evaluate the bank in the market. The first aspect of reputation is related to the customer relations directly. Higher reputation over customers yield more of customer intentions to work with the bank.

It is evidently clear that Interbank's reputation in the market has been somehow damaged through the recent years, ever since Interbank terminated some of its customer relations by itself. In the early years of 90's, many mid size firms were told to close their accounts in Interbank. The purpose of that action was to size down customer portfolio and get more chance to focus on bigger firms. This incident caused a customer trust destruction for Interbank which would last for years. Regardless of being one of these left-out firms, business environments heard about Interbank's such action. When Interbank had to go back focusing on mid size companies again two years later due to developments in the economy, most of these firms did not want to start new relations with Interbank.

In the international financial markets, the reputation and the credibility of a bank are usually measured by its performance and financial conditions, especially the number of bad debt accounts that the bank has had in a year. Interbank's image in the international financial markets has also had some problems because some of the big credit agreements were turned down and big amounts of loans were not paid back by the firms because of bankruptcies. As a result, big financiers outside the country lowered their credit ratings or cut some of their credit limits for Interban. Therefore, Interbank has started having

difficulties in the international trade agreements, and getting financial borrowings from foreign sources.

3.4-) Problems and Needs of Interbank:

Interbank, by the end of 1992 faces a problematic situation in terms of its performance in the sector. It may be observed that Interbank still keeps its position at high levels in many aspects in the sector. Such as, among the private banks it is still one of the most profiting ones in Turkey. Yet, one could easily notice the existence of a downward trend in financial figures of Interbank in recent years. Besides the fact of the economy being in a recession, Interbank has lost its market share gradually starting from late 80's . As explained in the previous sections, innovations which used to be made in Interbank have stopped, service quality was lowered. Among all of the negative factors, most importantly, an important degree of customer trust for Interbank has been lost because of short term approached attitudes of the bank.

All the negative factors affecting Interbank's performance have yielded top management of the bank to scan the strategies which have been used currently. These major questions came out: To what extent does Interbank do marketing or does it really do any marketing ? The general manager of Interbank, Mr. Araz believed that Interbank had problems in terms of marketing. He realized that Interbank personnel have not gained marketing concept fully . In his opinion, competitive environment in banking sector and recession in the economic performance of the country have stressed this negative aspect of the bank.

It is indeed Interbank's activities have been showing different aspects than marketing. The major problem of Interbank by 90's was the fact that the bank was performing a sales orientation in its relations with customers . As a result, the major need for Interbank was to overcome this fact and have its people switch to marketing concept from sales. This transition seemed to be hard since the sales orientation aspect has become a strong part of Interbank's culture. In order to reach such an objective, a change program in organizational culture was to be implemented. In this thesis I will call this program as the relationship marketing oriented change program.

4-) A RELATIONSHIP MARKETING ORIENTED CHANGE PROGRAM FOR INTERBANK

4.1-) Introduction:

Turbulent environment around banking and rapid changes in country's economic and political conditions enforce top management of the banks to take different actions in order to keep competitiveness in the sector in Turkey. Market conditions appear to be much more difficult and the rule of "survival of the fittest" has never been as true as it is now. These are the reasons why Interbank sought a relation marketing oriented change program which would be given by people having expertise on the field.

In the beginning of 1993, there were 74 commercial banks most of which focusing the same segments of the market. Since the market has reached a saturation level, growing of a bank could only be obtained by differential advantages.

4.2-) Objective of the Program:

"This program should bring a new way of thinking and have people leave their conservative mind set for the future", said the general manager , Melih Araz while explaining the marketing professor who will be the instructor of the program what Interbank was seeking for. Due to the new developments in banking sector and Interbank's weakening performance comparing to past years, Mr. Araz was asking for a help to bring a rehabilitation to the bank. He wants Interbank to adapt a "relationship banking" role and employees to be "relationship bankers".

The marketing professor pointed out in her interview with the general manager that what Interbank wanted was much more than a training program in marketing, it was actually a culture change. The main objective was to impose marketing concept throughout the bank and have bank employees gain this notion as a habit. This purpose can not be reached only through short term marketing training sessions. Therefore, the design of the development

program would include more than training sessions. Marketing training lectures could only enhance people's awareness and knowledge. Such lectures could not fully set marketing concept into people's minds. In order to reach the objective of gaining marketing culture in Interbank, top management should give support and time.

4.3-) Preparation and Initiation:

The marketing professor who would design and conduct the program is a Business Administration faculty member in one of the major universities with academic and experimental performance in different fields of marketing and consumer behavior. She accepted to conduct this development job for Interbank in the early months of 1993 and started working on the design of the program by learning about the company. Therefore, she interviewed top management executives, some managers and marketing team of different levels. She started to learn about the culture, organizational structure and existing marketing applications of the bank.

The marketing professor was surprised with her findings that Interbank has adapted a "sales" oriented culture with an aim of profits in short-term. Worst of all, managers in the bank believed that they were real "good marketing" people performing marketing techniques properly. It would be challenging to replace this dangerous formation with a marketing notion. Sales oriented thinking could only bring profits in short terms. Since customer satisfaction could easily be ignored through sales oriented relations, linkages could not possibly be established strongly with customers. A bank would lose customers' trust, which would be one of the most significant assets for the existence of a firm in competitive markets.

The marketing professor defined "marketing concept" as being oriented towards customer, taking initiative, being pro-active, a long-run point of view and flexibility. Besides this concept, strategic marketing management, obtaining a differential advantage, giving information and implementation are crucial factors to reach excellent marketing.

She summarized that the marketing orientation for the specific case of Interbank based upon:

- a) seeing customer as a relation
- b) idea that profit could only come when customer's needs are recognized well and fulfilled
- c) being together with the customer while creating products and opportunities.

There are basically three aspects needed for a bank to gain marketing concept, gaining it as a habit and its implementation:

- . to raise the level of know-how and belief through refreshing existing knowledge
- . to believe in this style and adapting as a habit
- . management and information systems which will support to put these ideas into action, implementation.

4.4-) Structure of the Relation Marketing Oriented Change Program:

It is essential to learn about the company deeply before starting any kind of a consultation. Here, Interbank's marketing team having a population of ninety people was the trainee group. Design of this program would require an effort for the consultant to have a background of the bank's different aspects.

It seemed crucial to gather marketing team and listen their comments about the work they are performing, their problems and suggestions. This was one of the reasons why the marketing professor decided to include a set of participatory forums. Such forums would guide her own work. Besides, in her interviews with managers of the bank and the other marketing team, the marketing professor found out that people in general did not think it was necessary to have a set of marketing lectures. Giving only lectures in marketing field would bring a jeopardy of lack of motivation as far as reaching the objective. Before gaining marketing approach as a habit, it was necessary to scan existing marketing strategies and implementations in a participatory meeting. Setting up a "group brain", such meetings would both yield

participants to have the same approach with high motivation and to make people ready and anxious to take actions on the suggested plans which would be produced afterwards. With all these reasons, a specialist in search conference methodology was invited in the program to conduct such meetings. The search conference professor will be called the organizational behavior professor in this thesis.

The organizational behavior professor is also a faculty member in the same university as the marketing professor works in. His concentration fields are Business Policy, Organizational Behavior and Socio-technical Systems. He had various experiences on conducting search conferences for different business enterprises and organizations.

Relationship Marketing Oriented Change Program would have two major parts:

- 1) Part 1: A search conference for the purpose of pointing out the common problems and suggestions
- 2) Part 2: An Executive Development Program in Marketing

4.5 -) Search Conference

4.5.1-) Methodology:

Search Conference was first introduced by the Australian Social Scientist Fred Emery. Search Conference is a participatory planning method with a variety of potential application fields. The method was used in many countries, like USA, Mexico, UK, Canada, Norway, India, Sweden and Turkey with different purposes. Some small business to compose their mission, state governments'

executive and legislative branches to formulate strategies, groups of different stake-holders like a national government's executive staff, business people and the worker unions to reach consensus for the vision of a country have been some of the exercises of search conference methodology.

The definition of search conference could best be summarized as ' a learning, planning, problem-solving and a projecting process which gathers the stake-holders of the subject defined earlier. This process dependent on the group dynamics, consists of a group of meetings in which a full participatory environment should be reached.' Search Conference enables these groups to set up 'an organic group brain' consisting of different ideas. These opposing ideas are supposed to argue in the groups and finally reach consensus in the defined subject (Babüroğlu 1990).

Search Conference Methodology has become more popular when the environment of the organizations get more complex and changing. Existence of firms in changing and complex environments depend on appropriate strategic implementations and necessary changes. High flexibility level is needed for an organization to adopt to environmental turbulence. In section 4.5.1.2, characteristics of turbulent environment and adaptability of search conference to such environment are explained.

4.5.2-) Turbulent Environment

Emery and Trist (1965) defined one of the four types of organizational environments as 'Turbulent Environment'. The characteristics of the turbulence in environment are:

- . Complexity
- . Unintended Consequences
- . Uncertainty
- . Unexpected Changes

Turbulent environment with all these factors also make stake-holders to think and act differently in an organization. Along with the characteristics of a

turbulent environment shown above, a search conference embodies some active adaptation principles which would make itself an appropriate searching process for organizations in turbulent environments. Search Conference, with its active adaptation method offers these principles:

- . Flexibility
- . Innovation
- . Social Responsibility
- . Participation

Emery and Trist offer Search Conference as an excellent decision-making and planning methodology since it has such principles that adapt to turbulent environments. (Trist 1983, Babüroğlu & Garr 1991)

4.5.3-) Place And Duration:

Search conferences are usually conducted in places far from work place and family atmosphere. A hotel or a holiday resort is the best place to reach full efficiency from the methodology. It is very important for participants to focus their concentration on the objective of the conference; therefore, it would be better to avoid participants' communicating with outsiders during the conference. Full participation of all members of the conference is crucial. The ideal duration for the conference is 2 to 3 days. Along that period of time, participants are urged to socialize with each other during the breaks.

4.5.4-) Facilitator:

A search conference is conducted by one or two facilitators who have group process skills and who have been trained in similar occasions by more experienced search conference facilitators.

'Facilitator' is a key word to describe search conference's coordinator since he keeps his own opinions out of the organism of the process. Unlike the other version (catalyst model of consultation) of the 'process consultation' , facilitator may have ideas and possible solutions of his own but for various reasons decides that a better solution will result if he withholds his suggestions.

Instead, he consciously concentrates on helping the group solve their own problem. Facilitation version of process consultation often applied in managerial situations where the manager decides to "help" a subordinate or a group to achieve their own solution by creating a good decision making process rather than making the decision personally (Schein 1978).

4.5.5-) Search Conference Process in Theory

In a search conference, 30-40 participants search for formulating strategies for the organization. The process moves from the general to the specific around the conference's main purpose.

A search conference has five major phases as described as follows:

- . Part 1: World Trends
- . Part 2: Trends that Affect the VARIABLE
- . Part 3: The Evolution of the VARIABLE
- . Part 4: The Future Design of the VARIABLE
- . Part 5 : Strategies

VARIABLE is the changing issue for different search conferences. It could be an organization, a problem, a nation. At every level of the conference, a narrowing of the path on which the process moves is recognized.

*** Part 1: World Trends:**

In this initial stage participants are expected to think about the whole world in general and are asked to tell all the trends exist nowadays showing significant roles. This scanning of the environment sets the atmosphere of the conference. Participants are encouraged to tell anything in their minds without any discrimination. This brainstorming section, just like in any other phases of the conference are registered into flip-charts.

After phrasing world trends in short sentences, the whole participant group is divided into 4 or 5 small groups. Each group, choosing their recorder and

presenter is given a mission of sorting out both desirable and probable trends from the flip charts distributed to them randomly.

By selecting whether a trend is desirable or probable, groups place a value on the trends. Then the small groups present their themes to the whole group. With the help of the facilitator, common scenarios that the groups pointed are combined.

Through the end of the first stage, a creation of the shared context, common values outcome and a practice of a collective decision making would be accomplished.

*** Part 2: Trends that Affect the Variable**

This stage is a replay of the first part with the only difference of the focusing issue being the specific variable that the conference seeks solution for. In this part of the conference detailed inputs are recognized since the specific group is directly related to the variable.

*** Part 3 : Evolution of the Variable**

In this part of the conference the focus is on the evolution of the variable. If the variable is an organization, a brief history is being drawn by the group. The facilitator usually draws a simple time line having spaces for past and present. With the help of the facilitator, important events that shaped the evolution of the variable are put into the map chronologically. The purpose here is to share the current system and history while some members learn about it.

*** Part 4: The Future Design of the Variable**

In this phase, participants being in small groups are asked to design for the future system. Creativity and innovations are welcomed . This part is not directed to create strategies or redesign implementations. Groups, after generating sufficient design characteristics, they switch their work with others. Then every group sort the other groups most selective ideas. Finally, the work of each group is merged through discussions. Similar and different ideas are pointed and a common design is reached.

* Part 5: Strategies

The idealized future document created in the previous stage is used as a guide for this last stage of the conference. Four small groups are supposed to develop a list of strategies in order to achieve the future vision of the system which they designed. Once the groups articulate strategies, the participants are self-selected into new groups in which one of the subject is defined as the group's implementation mission. These new groups established are called "task forces" then on and expected to take actions on implementations. During this process, some unpopular strategies will drop out of the agenda.

4.5.6)- Search Conference Process as Implemented in Interbank:

First section of the " Relationship Marketing Oriented Change Program", a search conference among Interbank's top managers, account officers and representatives of different divisions of the bank was conducted by an organizational behavior professor in 12 March 1993. The place where the conference held was a conference room of a hotel. Since the population of the marketing team in Interbank is higher than an ideal number of search conference participant population, two independent sections were done.

Among the participants, there were eight senior vice presidents, two branch managers, eleven branch marketing department managers, fifteen division managers, forty-five account officers and representatives from Merchant Banking unit, Treasury and Interbank's subsidiary.

These 85 people were divided into two homogeneous groups so that equal number of representatives of different units would be in each group. The second conference was held two weeks after the first one.

Both conferences had the same design and structure with similar scenarios. In this part of the thesis, one of the search conferences' process will be examined, then both conferences solutions and conclusions will be presented with a consolidation.

Day 1:

A Friday night after work, participants were invited to a cocktail meeting. By means of this meeting, the facilitator has got to know them. This meeting was held in a ballroom of the hotel where the rest of the meetings would take place. After this brief stand-up meeting, participants were taken to the conference room. The facilitator made a brief introduction about the purpose of the conference explaining that the search conference was a part of the "Relationship Marketing Oriented Change Program" whose marketing concentration would be presented by the marketing professor. He also pointed out that the common problems and solutions reached in this conference would be the major source of the main body of the whole program.

After facilitator's explanation about the methodology of search conferences, attendants are asked to make groups of two, then get to know each other through a ten-minute talk. Everybody later introduced his or her group mate to the whole class.

Day 2:

Part 1: Trends that Affect World

As the methodology requires for the first phase, participants were asked to think about the whole world in general and to tell all the trends today which has significant roles. Participants were encouraged to tell anything in their minds without any discrimination. This brainstorming section, just like in any other phases of the conference were registered into flip-charts.

After phrasing world trends in short sentences, the whole participant group was randomly divided into 6 small groups each including six or seven people. Three group were assigned to chose two or three most effective positive trends and the other three groups were to deal with negative trends using the same method. All the groups choosing their recorder and presenter were asked to present most desirable (positive) or negative trends that they selected from the flip charts distributed to them randomly.

Then the small groups presented their themes to the whole group. With the help of the facilitator, common scenarios that the groups pointed were combined. Groups agreed on these significant of these world trends :

Positive World Trends:

- * Developments in technology, media and communication
 - . Computer aided life
 - . Information change
 - . Information Flow
- * Globalization (social and economic)
- * Increasing care for environment, health and peace

Negative World Trends:

- * Increasing environment dirt
- * Increasing education problem
- * Economic recession

Part 2: Trends that Affect the Banking Sector

The facilitator explained that this stage would have the same procedure as the first part with the only difference of the focusing issue being the banking sector in Turkey specifically. After the participants made a brainstorming on the trends affecting Turkish banking sector, they got into groups to discuss, and select the most significant negative and positive trends of the banking sector in Turkey. Later, groups switched their works to other groups'. Now each group

was asked to examine other group's work and tell whether they agree or disagree on the issues selected. They were asked to cross out the points that they do not believe in their importance as much. After each group's presentation of other's revised work, common scenarios were gathered by the facilitator.

Groups reached a agreement that some of these positive and negative factors are the most important ones:

Positive Sector Trends:

- * Qualified human resources
- * Finance sector is being treated as the "locomotive" sector
- * Globalization in finance sector (banking, leasing, factoring)
- * Being in the world standards in banking sector (technology, MIS, training)
- * Liberal economic principles (applications an laws)

Negative Sector Trends:

- * Stress coming from public sectors and the government (Central Bank's defense)
- * Increasing "Frozen" loans (loans which cannot be repaid by some firms)
- * Consequences of competition (employee transfers, pricing, market share decrease)
- * Economic Recession in Turkey
- * Difficulty on short-run funding
- * Injustice in competition with government banks.

Part 3 : Evolution of INTERBANK

In this part of the conference, the facilitator explained that the focus would be on the history of Interbank . The facilitator drawing a simple time line having spaces for past and present, wanted the whole class to help him write down the important events that shaped the evolution of Interbank. The outputs coming from the class were put into the map chronologically.

While the history of Interbank was being talked, senior members seemed to be more active because of their knowledge advantage. The group divided Interbank's history into 2 major parts, one before the "revolution" of the economy with January 24 Principles, and the other after the incident. It seemed that the group concentrated on the second part of the history much more since it is much close to today

Day 3:

*** Part 4: Strengths and Weaknesses of Interbank**

In the beginning of the last day of the conference, the facilitator reminded class that they were to narrow their focus, concentrating on Interbank's future and its design. The class decided to express Interbank's strengths and weaknesses before the future design. With the same participatory method that had been implemented before, three groups were assigned to define the weaknesses of the bank while three others' mission were about to define the strengths.

The strengths and the weaknesses that the groups found and decided to present were as follow:

Strengths of Interbank:

*** Human Recourses**

"Employee quality in the bank is above the sector averages on the issues of educational background, dynamism, aggressiveness."

*** Flexibility**

"The bank is very flexible in terms of strategic decisions and their implementation. It is very adaptive to changes in economic and political environment."

*** Technology**

" Interbank utilizes one of the most developed Management Information System used in the whole sector. This competitive advantage offers a better quality service for Interbank. It also brings cost reduction to the bank in general."

*** International Relations**

" Interbank has had close relations with International financial organizations both getting finance and trade volume. This brings the bank more advantages over competitors."

*** Organizational Flatness**

" Interbank's organization does not have a hierarchical structure like many competitors have. This enables employees at every level to take required initiatives for the purpose of quick and qualified customer service"

Weaknesses of Interbank:

*** High Employee Turnover**

" Customers are very uncomfortable with the fact that employees leave the bank soon after they are recruited. This also brings problems concerning the lack of experienced staff .

*** Salary Policy**

" Interbank is below the sector average as far as the employee salaries' are concerned. This also yields high staff-turnover.

*** Dependency of External Monetary Sources**

" Interbank's most important monetary source is the mid-term loans coming from foreign financial institutions. Concentrating only on such sources of fundings only disables Interbank diversifying sources and hedging out related risks.

* Part 5: The Future Design of Interbank

In this phase, participants were put into small groups again are asked to design for the future system. The facilitator wanted the groups to answer the question " How do you want Interbank to be ?". He emphasized that this part was not meant to create strategies or redesign implementations. The groups, after generating sufficient design characteristics, switched their work with others. Then every group sorted other groups most selective ideas. Finally, the work of each group was merged through discussions. Similar and different ideas are pointed and a consensus design was reached.

Most popular topics of future design phase of the conference could be consolidated as follows:

A) Technology:

" Interbank should follow technology very closely enriching the computer aided management information system answering all the managerial and operational needs.It should utilize technological developments in both hardware and software areas as well as the machinery".

B) Centrops:

" It would be necessary to rehabilitate operations group of the bank in order to raise marketing quality. Centrops should be revised due to new requirements of the market. Since Centrops is the major supporting center to the marketing team for customer relations, its staff should gain marketing notion as well."

C) Salaries and Performance Evaluation System:

"Interbank should have a fair performance evaluation system for its employees'. Salaries and other benefits should be kept on or above the sector averages. This also will enable a low level of employee turnover."

D) Job Definitions of Units and Individuals:

"Functions of every division or department in the bank should be known clearly by other departments' personnel. Management should also define every individual's responsibilities (especially in marketing teams : Account Officer's) to overcome duplications on the work-field."

E) Customer Diversification:

"Interbank should keep working with the biggest firms in industry or in service sector. Beside the biggest corporations, credible mid-size firms should also be focused. Increasing the number of customers would decrease the risk factor."

F) Functions of General Management Marketing Division

" General Management Marketing Division should make researches on sectors and firms specifically in order to give more support to the marketing teams in branches. The unit should work as source of knowledge of all markets for Interbank . Customer relations should be coordinated by this group."

G) Functions of Credit Risk Management Group:

" Credit Risk Management Department should be more activated and more populated. People who would be working in this department should be chosen among the ones who are interested in micro-level financial analysis. This group should keep following firms, concentrating on their sector risks and performances. They should be supportive to the branches on the analysis of the firms financially."

H) "Relationship Banking"

" Interbank's main objective should be creating "relationship bank" image by thinking long-term affairs with customers. It should give its customers the impression that Interbank sees them as values. "

I) Team Work and Participatory Management:

" Team work in management should be adapted instead of ~~management~~ of individuals in divisions. Highly qualified employees like the ones in Interbank is an advantage to obtain group synergy in management. "

Besides all these important factors for future projection of Interbank , some other less-shared ideas like "closing up non-profitng subsidiaries and ineffective units", "functions of International Relations Department", "separation of Capital Market unit and International Relations" were also pointed by some of the groups of the search conference.

* Part 6: Strategies

Given the future projections of Interbank that the groups agreed upon in the last section, the facilitator explained what the group was supposed to do now. The idealized future document created in the previous stage would be used as a guide for this last stage of the conference. Again, six small groups were established to develop a list of strategies in order to achieve the future vision of the system which they had just designed. The participants, at this point were self-selected into new groups in which one of the subject is defined as the group's implementation mission.

Participants registered themselves into the groups due to their most favorite topic. During this process, some strategies dropped out of the agenda since no nobody showed interest in working on them .

In the appendix section, Figure 3 shows the group's topics of vision of Interbank and strategies defined for this future vision .

After these topics were defined, the facilitator explained groups' mission for the last part of the search conference. Then, the groups started the last section of their meetings to come up with some implementation plans.

Organizational structure group proposed to redesign the structure of the bank. Among their suggestions , there were sharp action plans like closing subsidiaries such as InterKauko and Intercon.

The group which was dealing with Marketing and Credit Risk Management Division defined new responsibilities for the division as an addition to their existing job definition.

The group which had the issue of Centrops suggested to terminate the division and place back operation groups to the branches. Their reasoning for this suggestion of action was the lack of personal connections between the marketing team and the operation group. The group presenter said, "As long as these two groups are apart form each other physically, they would always have problems of understanding each other's problems. On the other hand, a valuable duration of time is being spend on the road while the documents are delivered from Centrops to the branches. Whatever happens bad here affects the relation with customers.

The group which was issuing account officers' job definition made a list of account officers' existing responsibilities and idealized ones. According to the strategic approach of the group, account officers should not deal with financial analysis of the firms. The group offered that an account analysts group should be formed to do this job, instead. The group also mentioned that a lot of manual reporting work is being done by the account officers. In their model, everything would be taken care by the computer system.

Another group dealt with the relationship between divisions and the branches. The group noted that there is an internal communication problem between these

units. In order to overcome this problem, they offered systematic meetings which would be conducted among the units of the bank frequently.

Salaries and the performance evaluation subjects were some of the issues which had been talked very often during the whole program. The group which had this issue decided that Interbank should have a salary policy which would stay at a higher level than sector average. In their opinion, this would be helpful in solving high turn-over problem.

The technology group made an outstanding presentation of their implementation plan. According to their action plan, current banking system, personal computers and the electronic mail systems all of which are used in different terminals and screens would be connected. The technology group consisted of people with engineering background and computer market experience. They included in their presentation an expenditure analysis for establishing such a system.

After the presentations of each group were completed, the big group decided on these three courses of action :

- . The results of this conference would be documented and submitted to the general manager of the bank
- . The search conference facilitator should present this report to the general manager.
- . Task forces on the topics of the strategies determined in previous sections would be established and would keep meeting after the conclusion of the conference.

Finally in the conference, the participants decided to set up these task forces shown below :

1. Task force which is responsible of the general aspects of the organizational structure
2. Task force which is responsible of working on the issue of Credit Risk Management department and the marketing division's job definitions

3. Task force which is responsible of working on the issues of Centrops, account officer job definition and the relationship among units and branches.

4. Task force which is responsible of working on technological developments.

4.5.7-) Summary and an Overall View for the Search Conference

The search conference held for Interbank , as the first step of a participant culture change program has set up a group brain among the participants. Throughout the conference, when some of the issues were discussed in the small groups, it seemed that people reached consensus on many issues. A common set of thoughts and ideas have been reached through the conference.

Among the topics produced in the search conference, technology was the most indicated one by the groups. In other words, technology is the most important topic for the participants for Interbank's future vision. The reason behind this is that the significance of management information systems are recognized by the whole marketing team of Interbank. Interbank marketing people are aware of the fact that without good information system inside and outside the bank, marketing could not be performed.

Another reason why the topic of technology always comes out is that most of the junior level marketing people in Interbank are mostly engineers. Since they have been utilizing computer technology through their academic lives, they are used to implement especially computer technology everywhere proper. In the search conference, I observed that there was at least one of these engineering background people in each group. The issue of technology always came out because of these people's influence.

In addition to the reasons explained above, the issue of technology often came out in the search conference since the concept of technology is outside the characteristics of individuals. In other words, people would tend to blame on the lack of technology for discrepancies or weaknesses of the organization. They unconsciously relieve themselves from the guilt of the weaknesses.

It has been observed that the level of motivation in the whole search conference group was very high. The compromising atmosphere of the search conference would also bring a high level motivation to the participants for the rest of the relationship marketing oriented change program process.

In favor of the executive development program in marketing which would be held later, search conference caused participants to scan Interbank's current strategies. By analyzing that, many participants, especially the junior ones enhanced their level of knowledge about Interbank. The conference offered a chance for everyone to realize the ways of thinking of different divisions and individuals of the bank. In addition, since the coordinator of the executive development program in marketing was also observing the conference, she has got a chance to get introduced with the ideas of individuals, common suggestions produced.

4.6-) An Executive Development in Marketing for Interbank

4.6.1-) Methodology

The executive development program in marketing was designed to be three day class sessions including case studies and lectures. For such a development program, along with the theory, case studies were so significant that the participants could see similar problems and implementations that some other firms had .

The program's design based on three major parts:

- . cases
- . articles related to marketing
- . class lectures

Anticipating that Interbank team should gain a universal marketing notion , the cases were not limited with only the financial sector implementations. Case studies that the instructor included in the program could be categorized into two groups:

- . cases collected from outside the bank
- . cases collected from inside Interbank

Cases which were collected from outside the bank had different subjects and sector analysis. The other types of cases were about the past experience of Interbank itself. Creating documents about these Interbank cases had been done by some of the Interbank personnel having interest and academic background in marketing. These cases are chosen from both desirable and unfortunate events of the history of Interbank.

The basic idea of analyzing a case was to distribute documents which tell the event and problems first, then have class discuss about it in small groups. These small groups were expected to present their comments about the case, their strategies and implementations. Later on, discussion of the cases in the big group were made. In all of these cases, facilitator asked every participant to act like a manager and think of taking actions as if he or she were the decision maker.

The executive development program in marketing for Interbank was also designed to be in a participatory mode while the lectures were given by the facilitator. Therefore, during the three day period, participants were encouraged to be active at every stage.

Lecture subjects of the program were as follows:

- . Marketing Approach:
 - Marketing System and Environment
- . Strategic Approach
 - Market Segmentation, Choosing Target Markets, Product positioning, Product Differentiation
- . Competitive Growth Strategies
- . Opportunity Analysis
- . Product Service, Service Quality
- . Communication
- . Marketing / Service Evaluation and Control
- . "Excellent" Marketing

The executive development program in marketing was divided into two parts, as in search conference, since there were about eighty people attending. Same methodology and techniques were applied to both group.

4.6.2-) The Process of Executive Development in Marketing :

The executive development program in marketing sessions were held in April 1993 in the same hotel where the search conferences were conducted. Program's time duration was 3 full days.

It was often mentioned by the instructor that marketing is a long-term give-and-take process based upon satisfying customers' needs. Following principles were emphasized by the marketing professor throughout the lectures of the executive development program in marketing:²

While offering the satisfaction of these needs, marketing includes phases of product's preparation, presentation and servicing. Servicing should include following the product's performance and consultancy to the customer. In a long run relation with customers, it would be essential to offer some differential advantages. Especially in competitive environments, focusing only on the product which you are selling will make the company indifferent from the competitors. Small differential advantages could bring higher levels of customer relation.

Marketing is not selling a commodity any more; further than that, it is to define customer's needs - perhaps way before the customer realizes - and to be able make an influence on his or her preference. In order to reach a long-term customer relationship, firms should have excellent information systems.

Marketing Strategies and tactics are the movements made for the purpose of satisfying customer and aiming to get an advantage. It would be a systematic

² This part has been collected from the material of the Executive Development Program presented by the marketing professor.

approach to define market segmentation, positioning and 4 P's of marketing (product, promotion, price, place) in order to reach customer's satisfaction.

Sales and marketing are different concepts both having a common purpose: profit. The main distinction is that marketing is a process whose beginning stage is customer needs (not the product). Along with the purpose of making profit, marketing has also another objective: customer satisfaction.

Marketing approach for Interbank should have three dimensions:

- . being focused on customers
- . being focused on competitors
- . having a coordination between divisions in the bank

- At this point, class had a discussion on Interbank's internal coordination and agreed that the bank do not have a perfect coordination of units and divisions. It was complained that the departments are working independently without informing others.

It is emphasized, at this point that marketing is not a division or an activity. It is much like a life-style concerning the whole bank with all of its units. Therefore a profit oriented organization focusing on outer markets should first have strong chemical connections inside the company.

It is another important factor that, in order to watch the behavior of the customers and the competitors, a qualified information system is needed. Both qualitative and quantitative methods could be used inside the system. Here, the most important part is being in discipline and showing team-works.

- At this stage, the group started to discuss on the issue of how Interbank can obtain such a system. It was suggested that a committee consisting of selected customers could be established for consultancy.

In the application of the marketing approach, all the departments of the bank should be interactive. Strategic tactics and decisions should be made through the consensus of all divisions, therefore participatory works are essential.

It was stressed earlier that the positioning has a significant role for ideal marketing. Positioning is not only a matter of image, it has two starting points:

- . Interbank's position in the market reference to competitors
- . how the customers see Interbank

Positioning should be made according to the customer needs, not for the purpose of reaching profit in short term. While positioning, there are some factors to be defined: specifications of the product customers want, sector, customers' criteria on choosing a bank, and the "key person".

4.6.3-) Summary and an Overall View for the Executive Development Program

The main message of the whole development program was to stress that marketing approach means being towards customer and seeing customer as a relation. Lectures given and the cases analyzed are all made for pointing the significance of the concept of customer orientation. In other words, the development program gave the signal of building a relationship banking mind-set in order to reach an "excellent" marketing. For that purpose, proper strategic approaches were argued, opportunity analysis (tools of research, intelligence and information and environment factors) were determined. Banking product were defined as a set of interests for customer not a tool for getting profit in short term. The importance of communication with customer and inside the bank were stressed . It is noted that a mechanism for marketing and service evaluation should be set. It is as important to make a follow up of a relation as it is to set up a new relation.

If the relationship marketing oriented change program is considered as a whole, the search conference supplied a high level motivation for the development part since the same people who scanned the strategies of Interbank in the search conference were the participants of the development program. Since the same participant atmosphere as in the search conference was encouraged in the development program, the higher motivation level was kept, as well.

In chapter 5 of the thesis, a general overview of the evaluation of the whole change program will be included. In the evaluation of the relationship marketing oriented change program, I included a set of survey and interview results in order to show feedback of the participants, as well as my own impressions as a participant observer of the program.

5.) EVALUATION OF THE RELATIONSHIP MARKETING ORIENTED CHANGE PROGRAM

The relationship marketing oriented change program for Interbank was concluded at the end of April 1993, about eight months before this thesis was written. Therefore, the thesis has had a chance to analyze short term effects of the program. In this part, an evaluation of the whole change program (both search conference and the executive development in marketing) is included.

Keeping the main objective of the whole program in mind as an initiation of a culture change from sales orientation to relationship oriented marketing, I divide the evaluation part into two major parts:

1) Program Evaluation: Evaluations on the design, presentation and structure of the process

2) Impact Evaluation: Effects of the relationship marketing oriented change program's content on Interbank's life .

Evaluation of the impact of the program and the evaluation of the design, presentation and structure are the the major criteria for analyzing the success of the program.

5.1-) Methodology:

In this thesis, in order to evaluate the success of the relationship marketing oriented change program, I used two major sources:

- 1) Feedback of some of the participants (Interviews and surveys).
- 2) My own observations and impressions (Participant observation).

5.1.1-) Interviews and Surveys:

Feedback analysis of the participants in order to evaluate the success of the program are simply based on the data found from the interviews and the surveys I conducted after the program.

With the anticipation of getting different feedback from different level (hierarchically) people, Interviews were made with basically three groups of people:

- . Top managers including 4 senior vice presidents and 6 branch marketing managers and 6 department managers

- . 20 Mid-level branch marketing staff (Account Officers) and other department personnel who attended the program

- . 10 Interbank employee who did not attend the program, but heard about it (mostly among operation personnel)

The last group was interviewed for only the purpose of analyzing impacts of the program, not for its performance. This group were asked to tell all the changes that Interbank has had within an eight month period.

In the interviews, two types of questions were asked to the participants of the program. The first set of the questions , seeking for feedback of the change program process were as follows:

- a) Questions about the design, presentation and process of the executive development program in marketing

People were asked:

- . how they found the place, duration of time and the tools that used in both parts,

- . how they found the instructors,
- . how they found the methodologies (both search conference and the executive development in marketing),
- . what the objectives of both parts of the program were,
- . if the objective of both parts were reached ,
- . what their expectations were before the program ,
- . if their expectations were satisfied,
- . if they think search conference was necessary for initiating this change program,
- . to tell other comments,

b) Questions about the impact of the program:

The second set of questions focused on the effects of the program whether it influenced any change.

People were asked:

- . how much they learned anything new from the program
- . if they utilized anything which they learned from the program (if there is)
- . if search conference or/and executive development in marketing caused any progress in the bank
- . if there is any suggestion / strategy created in the program but not implemented

. to tell other comments

Preparation for the evaluation work also included a survey part. Surveys were conducted only for the purpose of analyzing the effects of the change program over the changes that occurred in Interbank during the last eight months. Therefore only the program participants were surveyed. Among 31 people who were surveyed, there are two senior vice-presidents, 10 managers, 5 mid-level staff outside the marketing team, and 16 Account Officers.

In order to define the changes occurred in Interbank during that period, every person who was included in three groups mentioned above was asked, in the interviews, to phrase all the changes of any type which had happened recently. A list of changes was made based on the output of the group. Most significant fifteen changes were taken to be the survey material.

Given these listed changes occurred in Interbank, people in groups 1 and 2 (participants of the programs) were asked, on a 1 to 5 scale, which grades they would give for the effect of the search conference and the executive development in marketing on the influence of the progress of the event. Lowest grade that could be given was 1 and the highest was 5. In other words, for example if a 5 was given for the search conference on a change cell, that would mean the participant believe search conference has had the highest impact on influencing this change.

5.1.2-) Participant Observation

Another method which is used to evaluate the relationship marketing oriented change program in this thesis is utilizing my own observations. The method of participant observation is a common evaluation methodology for programs in which the author is personally enrolled in the program. In this specific case, I was a participant of the whole relationship marketing oriented change program. It has enabled me to make an observation of the whole program as well as getting feedback from the professors.

My observation was not limited only with the attendance to the sessions of search conference and the executive development program in marketing. I also get a chance to continue my observations on the changes and impact of the

program on Interbank in later months, since I am also an employee of Interbank. Therefore, my role of participant observation has two aspects: The observations of the program and the observations of changes.

Perhaps, my participant observation is the most significant source of this whole study. Since I am an individual of the bank which has been analyzed and aware of current conditions of Interbank, it has given me a lot comfort to elaborate on the issues argued in the program rather than giving an effort to learn about them.

In the following sections of this chapter, while analyzing the impact and the process quality of relationship oriented marketing change program, besides the analysis of interviews and survey results, I also will make comments as well.

5.2-) Evaluation on the Process of the Relationship Marketing Oriented Change Program:

The quality level for the Marketing Oriented Change Program means how closely the objective is reached by the program. The quality of the program could be enriched through a proper design, structure and presentation. In other words, the objective of a relationship marketing oriented change program should be supported by a qualified program in terms of its presentation, structure and design.

Getting feedback from the participants about these factors of the program would be clearly useful. Therefore I conducted interviews with some of the participants of the program. The questions asked in these interviews were explained in the previous sections of this chapter. In the appendix, Table 9 shows both the questions asked in the interviews and a distribution of answers with their percentages. In order to note possible differences on the ideas of different level people, I grouped the answers into two parts: the answers of top management people, the answers of mid-level team.

As a result of the evaluation of interview answers for the relationship marketing oriented change program's quality, these issues appear to be shared by whole interviewee group:

- . Duration of time was insufficient for especially the development part (60 % of people).
- . The instructors of both parts of the program were highly qualified (95 % of people think) .
- . Methodologies of both parts of the program were perfectly designed (At this point, some people said development part should have been enriched with more cases related to banking or Interbank).
- . The objective of the program was reached fairly (% 60 of people were satisfied).

Top management and mid-level personnel disagreed on the issues of the convenience of the place where the program was held and the clearness of the objective of the search conference. While the top managers believe the place was fine for such a program, the other group mostly think it should have been in a better place in terms of the conference room and the atmosphere. The main reason for this disagreement could come because of the fact that the top managers might have been influenced by the organization's crew who were responsible for the decision of the place, since the crew had often explained top managers their budget constraints for the program during the various top-level meetings.

The other issue which caused a disagreement between the top management group and the mid-level marketing group was that the objective of the search conference was not clear for the mid-level group. The top management had been informed about the process several times before the program was

executed. This group's knowledge of the program might have caused the difference feedback.

Besides the issues explained above, following remarks were made by the participants:

" Case studies analyzed in the development part was designed to be much like business policy cases than marketing implementations. Strategic decisions were asked to be made rather than concentrating on marketing."

" Case studies were too long with many parts, thus some could not be finished. It was difficult to keep concentration on these long cases and impossible to participate in the analysis for those who had missed some of the parts."

" Although the relationship marketing oriented change program was academically perfect, more practical implementations should have been included"

As an overall evaluation, the place and the time frame was really problematic factors for both search conference and the executive development program in marketing. It may seem to be a minor problem in terms of the quality of the change program. However, this reflects a conflict between Interbank's desire of a culture change and the significance given to it. The program could not be held in a more proper place and in a longer time frame, since there were budget constraints. Conducting the search conference and the development program in a cheaper place did not only bring discomfort over the participants in terms of concentrating on the sessions, it also yielded a lack of trust among the participants that the top management of Interbank is really after a culture change to relationship marketing.

As a participant observer, I noticed in both parts of the program that participants' attention have been lost in several times. Comparing both parts of the relationship marketing oriented change program with each other, people seemed more enthusiastic and motivated in the search conference. The main reason behind this fact is that the participants did not fully believe that they need a such a development program. Before the program was held, in her

proposal of the relationship marketing change program to the general management of the bank, the marketing professor had also pointed that especially the mid level marketing team did not believe the necessity of such a program.

Marketing team of the bank, with the belief of being an excellent marketing people did not think such a development program would add anything new to their know-how. These people however seemed more enthusiastic in the search conference since their job implementations were not directly argued there. The topics in the search conference were mostly strategic issues and criticisms of the general management's regulations. This is one of the major reasons why the percentage of people thinking the objective of development program was fully reached is lower than the search conference's. In other words, some 50 % of the participants' saying the objective of the development program was not reached is a direct implication that these people did not find the objective necessary. Another reason why it is so low could be because of the fact that the participants thought it was impossible to change culture towards relationship marketing in Interbank.

5.2-) Evaluation on the Impact of the Relationship Marketing Oriented Change Program

It is evidently clear that the relationship marketing oriented change program has had some impact on Interbank's activities. In this section of the chapter, the impact of the program will be analyzed. There are two sources of these analysis. The first one is the feedback of the interviews and surveys that I conducted with the participants, the second is my observations and impressions.

Almost all the people I interviewed had a common idea that the relationship marketing oriented change program was the beginning of a rehabilitation process. One senior vice president defined the whole program as a "starting flash light". Most of the participants also think that the competitive environment and Interbank's weakening performance in banking made the top management take serious actions starting with such a program.

Most of the participants whose academic backgrounds are out of Business Administration field were very glad to have a chance of reviewing of marketing principles in an academic basis from a qualified academician.

It was a common belief that Interbank has adopted a new way of customer treatment. A sentence of an interviewee, perhaps summarizes the most important change in Interbank's mind-set : " instead of thinking customer as an object on the way of making profits, customer is now thought someone important to satisfy fully in order to survive in the banking sector."

The main objectives of the inclusion of the search conference were to create a high level motivation for the whole change program and to influence a change in the organic culture of Interbank. However, people interviewed believe not only the search conference served for that purpose, but it also offered serious strategic implementations for the bank. " Its participatory atmosphere initiated other meetings which included representatives of different parts and levels", said another top manager.

Almost 70 % of the people I interviewed believe that there is a co-relation between the changes occurred in Interbank during the last eight month period and the strategies found by the group in the search conference. Some interviewees believe that the implementations was quickened by the task forces established in the search conference.

It was explained before that, in the interviews, people were asked to list all the changes occurred regardless of their area. The reason why I get feedback from Interbank personnel rather than using my own observations at this stage is that I could possibly miss some of the changes occurred outside my work place . These changes that the interviewees pointed out and some of my observations were consolidated and gathered in a list as shown below:

The changes listed below are the ones which occurred after the relationship marketing oriented change program:

- . Karaköy Branch was closed.
- . For the first time ever, General Manager and the whole marketing group got together to discuss the problems, needs and possible solutions in order to raise marketing quality
- . The operations division of the bank (Centrops) has started to be reorganized due to the needs and desires of the branches to serve customers more efficiently
- . A senior vice president with a branch marketing management experience has been assigned to be the head of the operations division.
- . Finanscorp, a subsidiary for the Stock Market, was closed.
- . Merchant Banking Division was closed.
- . New equipment in both hardware and software fields, personal computers, were purchased. The banking computer system has been enriched with new technology equipment by Intertech.
- . Human Resources Management started to work on the preparation of a detailed job definition bulletin.
- . "Relationship Banking" term has been started to be talked about as a strategy.
- . "Long-term relationship with customer" phrase has been started to adapt.
- . Customers were started to be called for meetings to seek for their needs and feedback for Interbank service quality.
- . Internal communication and rapport seemed to be getting stronger, especially among the groups of operations and marketing.

- . Credit Risk Management division started to give more support to the branch marketing team on evaluations of financial conditions of the customer firms and the paperwork.
- . More diversification on customer portfolio has been started. The bank started to focus much more mid-size companies.
- . Cash Management division has been established in the bank to focus on the collection and disbursement sides of companies' cash flows to give them more qualified service.
- . Interbank started to concentrate on the total quality management issue. Academicians and experienced people has been hired for consultancy on this issue.

The organizational changes which occurred in Interbank during the eight months after the program could be seen in the Figures 1 and 2 in the appendix.

The list produced and shown above was used as the question sheet for the survey part. As mentioned earlier in the methodology section, people surveyed were asked to give two grades for the effects of each part of the program on the influence of given progress. The results, then were converted into a 100 scale:

In the appendix , Table 10. shows the results of this study.

As a summary of the evaluation of the impact of the program, participants believe that search conference was most effective on operation division's reorganization, increases coming from the credit risk management group to marketing team and the preparation of a written job definition document by the human resources department.

The executive development program in marketing was most effective on the progresses of the initiation of total quality management, introduction of thinking of long term relations with customers.

In the following sections of the chapter, the influences of both search conference and the executive development program in marketing are analyzed in more details.

5.4-) Search Conferences Influence:

It was explained earlier in the previous sections that the participants of the search conference agreed on some topics for the future vision of Interbank. These topics were gathered by the search conference group into nine categories (see in Fig. 3)

It is now clear that a connection between some of the topics of the vision produced in the search conference and the changes occurred. In Figure 4 in the appendix , both vision topics and the changes are shown.

Referring to Figure 4 in the appendix , it is possible to make these pairings of future vision and change: A - 7, B - 3, B - 4 , D - 8, E - 14, G - 13, H - 9.

The impact of search conference on this progresses have had two aspects: First, the search conference has pointed the topics of future vision and made the issues so popular that many people in the bank started to talk about them. Secondly, some of the participants of the change program were division managers who would decide themselves or suggest these change implementations to the general manager. One example of this kind would be the fact that the Credit Risk Management division has started giving more support to the branches' marketing team with the financial analysis. The head of this department seemed enthusiastically ready to take this action in the conference.

Centrops division was not closed, as the conference suggested, but it has been reorganized. The three divisions of Centrops, export, import and credits were used to be separated having different group heads. Therefore, in order to get an operational service from this department, branch marketing team or customers had to get in touch with three different people. In the new formation, these groups have been collected in such a way that every branch has now only one operation group dealing its customers. This new application seems almost the same one that Interbank had before Centrops. In other words, the suggestion of the search conference has been taken into the consideration and implemented partially.

A direct impact of search conference was noticed in the issue of technology. One of the four task forces which was created as a result of the conference continued to meet for discussions on the topic. Some other bank personnel from different units like accounting department, Intertech, financial planning department were also included in the task force afterwards. This task force has been working on the revision of the MIS showing a great performance. As a result of the influences of the task force, the software capacity of the computer system was enriched. Now, the computer system carries out most of the manual calculations done by the marketing team previously.

5.5-) Influence of the Executive Development Program

Thinking of the progresses in Interbank during the last eight month period, I could say that I have witnessed such developments in people's mind that marketing concept has started to place in Interbank's culture. The most significant progress is that almost in every occasions, customer relation is considered as a long term concept.

As a participant observer working in the marketing team, I have started to observe that managers influence their teams to keep away from short term relations with one shot profits coming from the customer. In the customer visits, Interbank members started to convince customers that Interbank is after a long term relation. Even though the expectation of making money in short time periods and outstanding pressure related to this fact continues to come from the top management towards the marketing team, people are more aware of the significance of setting up a long term relation with customers.

Interbank's account representatives seems to be more on the customers' side now comparing to the last years conditions. The executive development program in marketing has a significant effect on that with no doubt.

Another important progress happened in the technological side. As discussed in the executive development program, a qualified information system is one of the major backgrounds of excellent marketing. It was mentioned in the program that the participants agreed that in order to have a relationship marketing system in the bank, management information system of the bank should be enriched. Two months after the development program a new system has been brought from Europe and installed for that purpose.

Besides the influences of the search conference and the executive development program in marketing explained in the previous and this sections, there are however some barriers for the whole change program. These barriers disable some of the strategies produced in the change program to be implemented. Following chapter will cover these limitations, constraints and some of the barriers of the relationship marketing oriented change program.

5.6-) Limitations and Constraints of the Relationship Marketing Oriented Change Program :

The relationship marketing oriented change program for Interbank, as explained previously, has had some effects on progressing changes in habits. However, some strategies or implementations defined in the relationship marketing oriented change program have faced barriers coming from various factors. Some of the action plans produced by the search conference and the implementations offered by the change program are against the nature of the organization. In other words, there has to be more effort and time spent for a process to be implemented fully.

On the other hand, there comes another idea that the relationship marketing oriented change program might have some defaults in its process to reach its objective. These two factors, organizational barriers and the problems of the

change program, are the most critical issues to argue for reaching a judgment on Interbank's level of adaptability to changing environment.

In this part of the study, the questions " what could not happen ?" and "what was the barriers for the suggested plans and actions ? " will be analyzed and some recommendations will be included in both subjects. For the analysis below, limitations of the relationship marketing oriented change program will be studied focusing the program as a whole, not separating the search conference and the executive development in marketing parts. Later, the limitations and the constraints of each part of the change program (the search conference and the development parts) will be analyzed in terms of their processes.

We have noticed that some of the suggestions created in the search conference made influences on Interbank. However, some suggestions contradict with strong factors. A list of action plans which were the results of the search conferences are shown below. Reasons why these plans stayed far from implemented are also listed:

Centrops was not closed as suggested in the search conference. The major reason why this unit could not considered to be replaced with operation groups in the branches was because, two years ago the decision of a unification of operation groups were taken by the general manager himself. A replacement would mean a stepping-back from his decision directly. Fear of probable reaction when reporting this suggestion to the general manager is strong enough for anybody not to take any action in the bank. This aspect shows how autocratic the management of the bank is in some respect.

Even the employee salary levels are projected in the search conference to be raised to sector averages, no progress has happened in such a way during the last months. It was even more suprising that this issue was easily dropped from the agenda of the conference and not carried by any of the task forces. The reason behind this passiveness might also come from the fear of negative reactions from the top management.

Another important limitation factor that the whole program had is the fact that, even though it was strongly suggested in the search conference, a presentation

to the general manager could not be made by search conference's facilitator. Participants of the conference agreed that as an outsider, the facilitator would play a significant role on influencing general manager. The arrangement of professor's presentation could not be made because of the budget problems of the program. This reason is even worse than the lack of the presentation, since it shows top management's low level of interest on the issue.

The executive development program in marketing for Interbank faces basically these barriers:

.Barrier of internal competition: thinking of only profit and short term:

One of the most recognizable aspects of Interbank is that there is an high level of competition among the people who work in the profit centers, like in the branches. This competition sometimes appears in vital forms. Since the performance evaluation system of the individuals in the profit centers is based on their accounts profit shares , one will concentrate himself most on the revenues coming from the customers whom he is responsible for. When the performance evaluations are made every six months, first criteria of the evaluation committee has always been how much profit has been made from the accounts of individuals. Although the executive development in marketing program has urged people to keep in mind that a long term relationship is the key factor for marketing concept, account officers are not encouraged on long term actions. Instead, they are forced to go after short term relations and make profits as much as possible in short periods. Besides, there is always a fear of getting dismissed from the accounts if low profit performance is gained. The idea of " being with the customer " does not seem to be applicable since the individuals compete with each other, trying to raise bank's profit from the accounts that they are responsible of.

. Barrier of the Performance Evaluation System and high personnel turn-over rates:

Another important issue as a barrier appears to be the default coming from the performance evaluation system in the bank. There has always been a suspicion on the justice of the evaluations made in Interbank for performance of the employees. One of the reasons why many people have quitted is their belief of being evaluated wrong. This very common belief has caused high turn-over rates for personnel and directly affected the customer relations.

Most customers have been complaining about the rapid changes in marketing and operation groups of the bank. If the "relationship banking" is the objective, it is evidently clear that individuals from both parties (customer and bank) play significant roles. In order to have a long term relation with customers, the first step must be the consistency of these individuals for at least a certain amount of time. However, as an example, it has been Interbank's experience that almost the half of the marketing group of a branch has left their jobs in a six month period. This seems to be a major barrier in terms of convincing customers that the bank wants to have long term relationship.

. Lack of Team Work Concept:

Many organizations, especially the ones having many units, face the difficulty on setting up a team work in order to run their business. A lack of coordination of the units is a definite weakness. Although there seem to be very minor coordination problems among the support groups in Interbank, like Centrops and the branches, there happens some events in the bank, justifying that it is not the same with different profit centers. The profit centers in Interbank may sometimes act, concerning the same customers, without informing each other. For example, Investment Banking group might visit a customer without telling the people in the branch where the main work has been executed. This kind of actions are sometimes done by purpose. The organizational culture force

Interbank marketing people to work individually due to the reasons explained previously.

Barriers Coming from the Conditions of the Financial Market

Financial market in Turkey is highly depended upon the performance of the economy and all sector conditions. In order for a bank to get a relation started with a customer, different factors should be considered than in any other sector. Since a probable customer relation in a bank would include a credit loan agreement, there are risk factors to be considered.

The relationship with customers in banking sector have a different dimension in terms of responsibilities. The marketing concept requires a high-level responsibility of keeping customer satisfied. In banking relation, the loan owner has the responsibility of paying back his loan. When we add this simple distinction to some of the experiences of bad debt cases where loan owners could not or would not pay back, we must give credit to the attitude of conservatism in banking sector. In fact, banking sector is the most conservative sector in sales activities. This concept might have a contrast with the marketing principles.

In Interbank, the marketing team in branches are often disabled by the Credit Risk Management department in terms of giving loans to customers. As a natural reason of the economic developments, and the sector conditions, this department sometimes reject to give loans or set some limitations. This clearly affects marketing implementations, causing break-ups with customers sometimes. The existence of the Credit Risk Management group can not be blamed here; in fact, that is due to the nature of the banking business.

On the other hand, Interbank rapidly changes its targeting strategy because of market reasons. Such as, when the medicine sector is expected to perform well, Interbank focuses on medicine firms. If the conditions changes the following year, Interbank cuts its focus on the sector, even ignoring the medicine firms. This has been one of the most popular complaints about Interbank among the firms. This is the major action which contradicts with the idea of setting up long term relations.

. Barriers of Interbank's Marketing Tools

The objective of being a "home bank" for a customer requires to offer a service of all banking needs. However, even though Interbank is strong enough to cover many of the customer needs, there are some products that it can not be delivered by Interbank. As an example, Interbank's interest rates for loans are way above the market average because of the structure of the sources of funds. Even though Interbank might give good service, for example, in international trades and satisfy a customer fully in that respect, the customer would still look for another bank among the competitors to get a low rate loan.

Besides the price, there are problems about products offered in Interbank. In order to reach a relationship which will last long terms and satisfy customers' all banking needs, a bank should offer a rich portfolio of products. The focus should be on the whole set of the needs that a customer has, not some of them. In other words, a bank should not differentiate customers' needs by offering only some banking products and avoiding some others. Making profit is the final objective naturally; but, it should be tolerated to loose money through offering non-profitting products for the sake of customers' satisfaction. This will bring even more profits in the future.

. Physical Barriers

There are some physical factors about the bank which cause a disability in marketing. Interbank has a very few number of branches. Some of the customers need services which would require branches located in various parts of the country or even different parts of cities. As an example, Interbank focuses on the customer check circulation of the firms and try to collect as many customer checks as possible. However, customers do not seem to be glad to collect their checks in one branch, they would not like to bring them from the distant places. This inconvenient situation contradicts with the objective of collecting checks.

. Overwhelming job stress over individuals:

Interbank, as it could be seen in the tables 5 through 9 in the appendix, is one of the biggest medium size banks in Turkey. The numbers of employees, however, is low comparing the other banks in the sector. Therefore, the rate of work amount per person in Interbank is, perhaps the highest among all banks. Even though very qualified people are employed in the bank, the work amount challenges their level of capacity. For example, in the main branch of Interbank, there are 16 marketing and 10 operation employees. This branch's share of the international trade volume is one sixth of the whole Turkish international trade figures in 1993. In other words, these 26 people has to deal with that amount of work while the total employee number of the whole sector is some forty thousand. This is another factor which seems to have a negative influence on reaching marketing objectives. The employees of the bank , most of the time not able to finish their daily jobs within the work shifts. The stress that the employees gain and disability which is a natural result of this stress affect the customer relations negatively.

These barriers explained above are the factors which the nature of Interbank has. In other words, they are the resistances for a culture change for Interbank towards relationship marketing. Besides these resistive factors coming from the structure and the culture of Interbank, there were some restrictions in the processes of the search conference and the development program. In the folowing section these limitations coming from the search conference and the executive development program in marketing are analyzed.

5.6.1-) Limitations and Constraints of the Search Conference:

As a participant observer of the search conference I have got a chance to see some of the constraints coming from the dynamics of the conference. As a natural result of the group dynamics, some characters in the groups had more leader specialties than the others and played leader roles. However, in the conference, some of the mangers seemed to be very dominant as far as the discussions were made. These managers influenced other team members with the power coming from their job positions. In other words, the decisions of

these groups were made according to these managers' ideas, while other team members kept quiet in conversations even though they had different ideas. This factor affected the objectives of the search conference negatively and seemed to be one of the most important constraints of the search conference.

Even though the facilitator of the search conference urged participants to forget about the hierarchical positions of each others during the conference and act as if they are in the same level in terms of making decisions, in some of the groups especially the mid level marketing people did not act comfortably. Such a characteristic of the culture of Interbank, the fear from the seniors, had negative affects.

I have witnessed in the search conference that some of the division heads are so powerful that many people avoid to argue any discrepancies related to these people or about these people's divisions. These division heads are very known to be very close to the general manager. As an example, the general management marketing division were discussed by many groups and decided to be revised. Some groups even suggested to close this division since they thought the division was useless. When the suggestions became topics to be presented to the general manager, this topic dropped out.

Along with these issues, there were some physical limitations for the search conference like the amount of time being insufficient, the place of the conference not being proper. With all these constraints, we could say that the search conference was successful enough to have participants produce strategies.

5.6.2-) Limitations and Constraints of the Executive Development Program in Marketing :

As noted in the interviews with most of the program participants, time spent on the relationship marketing oriented change program was not sufficient. Furthermore there were some other negative factors which made the audience of the executive development program loose attention. The program was held during a weekend. People had hard times concentrating especially on the long

cases and lectures. Participants seemed impatient when the cases of different sectors than banking were analyzed.

In order to have participants' attention more, number of Interbank cases should have been increased. However, the instructor could not get much material from the bank to prepare more cases.

In both preparation and the sessions, the pair of time and content should be set more properly. In other words, it should have been measured before how long the cases could take to be discussed in the sessions. When some of the cases could not be finished because of the shortness of time, problems appeared as far as the objective of analyzing the case is reached.

The place of the relationship marketing oriented change program was coincidentally very close to the bank. That made some people go to the bank in the breaks, and sometimes not come back for the rest of the Friday. That affected the dynamics of the program negatively. Since the cases and the lectures were in a continuing form, it was impossible to catch up the arguments for those people who missed the previous parts of program material. Therefore, it could be noted that such change programs are crucial to be done far from the work atmosphere.

As a final comment on the process of the relationship marketing oriented change program, such programs should be considered and planned as a process which would overcome all the discrepancies coming from above factors. Moreover, such programs should not be one-shot actions in small a duration of time. It does not necessarily have to be a long program; but, it should definitely based on parts which would be done in different times. By means of that, participants would feel much more comfortable to follow the program.

6-) CONCLUSION:

When the economic reforms were made in Turkey in the 1980's, Interbank was one of the most prosperous firms in adapting to new conditions. In banking sector, Interbank was the initiator of "credit marketing" concept. Employees of the bank were started to be trained as marketing people unlike the old implementations of banking in Turkey. This was a major incident for Turkish banking sector and caused other banks to follow Interbank. Banking sector which gained this new approach seemed very profiting among all the sectors in the country. Interbank increased its market share enormously by using this method of active selling.

In the late 1980's, big capital holders' interest in getting into financial sector by setting up new banks continued with an increase. Meanwhile, Turkish economy started getting into a recession. As a natural result, increase of banks in numbers have caused dramatic falls in the market shares of the banks, since there is less growth in sector performance. Competition among all the banks has appeared to be much higher than ever. In other words, financial sector has started to reach a saturation point.

Interbank also has started to lose its market share because of these facts. This is one of the major reasons why Interbank's management is forced to go over its strategies seriously by 1992. This idea appeared in top management's mind: "A detailed analysis of current implementations of strategies and their effects should be analyzed, and, if needed, they should be revised". Therefore, the general manager of Interbank contacted with academicians of some universities. His objective was to get an academic touch in order to make Interbank more competitive in banking environment.

When an academic help for marketing came from one of these universities, it has been diagnosed that Interbank has adapted to sales mentality rather than marketing. Instead of having marketing concept, a method of active selling has long been used. It is realized that Interbank conducts customer relations, ignoring the important distinction between sales and marketing. It has been anticipated that Interbank has been successful since it has reached good figures in profit. However, this fact is actually a result of the economic growth of all

markets in Turkey. It is true that Interbank had good profits; but, it would not last long unless the bank switched its culture to marketing orientation.

Gaining a full marketing approach for Interbank have some contradictions with the general policies of the bank. Competitive atmosphere inside the bank urges employees to think and act in short term. This was another issue which has been realized during this relationship marketing oriented change program. Hence, this issue has brought the idea that such a relationship marketing oriented change program for Interbank would not make sense if a proper background of the organization is not set up through making some strategic changes. The search conference part of the program has pointed out the significance of this issue.

The inclusion of the search conference in the relationship marketing oriented change program has made some other remarks outside the issue of marketing. The participatory atmosphere of the search conference made the conference participants to criticize Interbank's strategic policies. The conference group, which is an important segment of the people in the bank in terms of strategic decision making, agreed upon some specific changes for the sake of Interbank's future. These implementations seemed to be so prior that the group decided to present conference results to the general manager.

There are some factors which never pointed out by the participants of the relationship marketing oriented change program standing as the barriers for Interbank in reaching a marketing concept. These barriers are related with the nature of the ownership of the bank. Even though Interbank seems to be ruled with an autonomy, there are some restrictions coming from the owners of the bank. It is a fortunate fact that unlike some other banks, the shareholders of Interbank are not dealing with the internal policies. The shareholders have given this mission to the management of the bank fully. However, in more global issues, it is evident that the autonomy is cut off. One example of this sort is the fact that Interbank management is simply told by the share holders to give loan to the group firms. Therefore these group firms with big volumes of credit lines in Interbank are funded without discussion. The issue of funding these group firms are held outside the marketing activities. In other words, marketing tools for such firms are so different than others. Prices are low for them, products which are never offered to other firms are presented to them.

This thesis has been a limited attempt to analyze the process of the relationship marketing oriented change program for Interbank. In order to realize the full effects of such a program, a period of eight months would not be enough since the culture of an organization is aimed to change. In other words, the process of the culture change might not be over yet. In addition to this, the time frame limitation of this thesis has forced me to end my study in a short time period.

It would not be enough to make a judgment on the success of the program by only analyzing the changes happened within short time periods, as this study covered. The relationship marketing oriented change program, no matter how successful or unsuccessful the results were, has started a new way of thinking in Interbank. It was the beginning of a rehabilitation process which now continues with total quality management studies.

APPENDIX

TABLE 1.

CONSOLIDATED FINANCIAL ASSETS (except for BANKS)				
	1986	1988	1990	1992
CASH	8.20%	7.30%	9.70%	6.80%
DEPOSITS	20.70%	16.80%	12.60%	8.60%
TIME DEPOSITS	38.30%	33.80%	31.50%	24.60%
FOREIGN CURRENCY DEPOSITS	9.60%	16.00%	14.70%	23.30%
MARKETABLE SECURITIES, Private	5.30%	8.30%	12.20%	11.30%
MARKETABLE SECURITIES, Public	17.90%	17.80%	19.30%	25.60%

ECONOMIC INDICATORS OF TURKEY

Table 2.

PRICE CHANGES		
	Wholesale	Consumer
YIL		
92	61.40%	66.00%
91	59.20%	71.10%
90	48.60%	60.40%
89	62.30%	64.30%
88	69.70%	75.20%

Table 3.

	GNP GROWTH RATE		EXPORTS Million \$	IMPORTS Million \$	
YIL					YIL
92	5.90%		\$14,891	\$23,082	92
91	0.30%		\$13,598	\$21,038	91
90	9.20%		\$12,959	\$22,302	90
89	1.90%		\$11,626	\$15,792	89
88	3.60%		\$11,662	\$14,336	88

Table 4.

EXCHANGE RATES			
US \$		DM	
EQUIVALENT TL		EQUIVALENT TL	
YIL			YIL
92	8,555	5,303	92
91	5,074	3,340	91
90	2,927	1,948	90
89	2,304	1,369	89
88	1,815	1,015	88

Table 5. RANKINGS OF TURKISH BANKS

TOTAL DEPOSITS

RANK 92	RANK 91	BANK	TOTAL DEPOSITS IN BILLION TL (92)	SECTOR SHARE
1	1	ZİRAAT	63,798	20.88%
2	2	İŞBANKASI	33,915	11.10%
3	3	EMLAKBANK	31,127	10.19%
4	6	VAKIFBANK	22,333	7.31%
5	4	AKBANK	21,772	7.13%
6	5	YAPI KREDİ	19,882	6.51%
7	7	HALKBANK	19,055	6.24%
8	8	PAMUKBANK	14,795	4.84%
9	10	TÜRKBANK	12,039	3.94%
10	9	GARANTİ	10,706	3.50%
11	13	ETİBANK	8,615	2.82%
12	11	SÜMERBANK	6,907	2.26%
13	12	TÜTÜN BANK	6,336	2.07%
14	16	ŞEKERBANK	3,484	1.14%
15	15	ESBANK	3,464	1.13%
16	14	İMARBANK	2,915	0.95%
17	20	FİNANSBANK	2,603	0.85%
18	24	DEMİR BANK	2,440	0.80%
19	17	OSMANLI	2,182	0.71%
20	29	İMPEX BANK	1,784	0.58%
21	22	DIŞBANK	1,539	0.50%
22	21	İKTİSAT	1,355	0.44%
23	18	TEB	1,319	0.43%
24	26	KÖRFEZ BANK	1,287	0.42%
25	19	EGEBANK	1,179	0.39%
26	28	MARBANK	954	0.31%
27	25	KOÇBANK	907	0.30%
28	23	TARİŞ BANK	827	0.27%
29	30	TYT	811	0.27%
30	27	INTERBANK	777	0.25%
31	28	BANK EKSPRES	687	0.22%

SECTORAL TOTAL	305,489	100.00%
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Table 6. RANKINGS OF TURKISH BANKS

TOTAL ASSETS

RANK 92	RANK 91	BANK	TOTAL ASSETS IN BILLION TL (92)	SECTOR SHARE
1	1	ZIRAAT	100,133	18.08%
2	3	EMLAKBANK	53,880	9.73%
3	2	ISBANKASI	50,314	9.08%
4	4	YAPI KREDI	34,435	6.22%
5	5	AKBANK	31,076	5.61%
6	6	VAKIFBANK	31,076	5.61%
7	7	HALKBANK	29,235	5.28%
8	8	PAMUKBANK	28,147	5.08%
9	9	GARANTI	24,768	4.47%
10	12	ETIBANK	20,033	3.62%
11	10	TURKBANK	15,312	2.76%
12	11	EXIMBANK	14,576	2.63%
13	13	SUMERBANK	12,551	2.27%
14	18	TUTUNBANK	12,049	2.18%
15	17	ESBANK	10,125	1.83%
16	14	T.K.B.	9,014	1.63%
17	19	INTERBANK	8,775	1.58%
18	15	ILLERBANKASI	8,231	1.49%
19	16	T.S.K.B.	7,797	1.41%
20	28	DEMIRBANK	7,289	1.32%
21	20	IKTISAT	6,789	1.23%
22	26	FINANSBANK	5,874	1.06%
23	22	SEKERBANK	5,557	1.00%
24	25	DISBANK	4,519	0.82%
25	23	OSMANLI	4,405	0.80%
SECTORAL TOTAL			553,903	100.00%

Table 7. RANKINGS OF TURKISH BANKS

CAPITAL FUNDS

RANK 92	RANK 91	BANK	CAPITAL FUNDS IN BILLION TL (92)	SECTOR SHARE
1	1	ZIRAAT	11,142	23.36%
2	3	ISBANKASI	4,956	10.39%
3	2	AKBANK	4,340	9.10%
4	4	YAPI KREDI	2,764	5.79%
5	11	EMLAKBANK	2,654	5.56%
6	5	GARANTI	2,619	5.49%
7	6	HALKBANK	2,269	4.76%
8	7	VAKIFBANK	1,906	4.00%
9	8	PAMUKBANK	1,758	3.69%
10	9	T.K.B.	1,249	2.62%
11	13	ILLERBANKASI	1,171	2.45%
12	14	TURKBANK	1,158	2.43%
13	13	EXIMBANK	1,041	2.18%
14	18	INTERBANK	916	1.92%
15	17	ESBANK	893	1.87%
16	14	OSMANLI	649	1.36%
17	19	IKTISAT	609	1.28%
18	15	DISBANK	537	1.13%
19	16	TUTUNBANK	530	1.11%
20	28	FINANSBANK	479	1.00%
SECTORAL TOTAL			47,701	100.00%

Table 8. RANKINGS OF TURKISH BANKS

NET INCOME

RANK 92	RANK 91	BANK	NET INCOME IN BILLION TL (92)	SECTOR SHARE
1	1	AKBANK	1,234	17.10%
2	3	GARANTİ	1,004	13.92%
3	2	YAPI KREDİ	836	11.59%
4	4	INTERBANK	505	7.00%
5	5	IMPEXBANK	307	4.26%
6	48	EMLAKBANK	305	4.23%
7	6	FINANSBANK	256	3.55%
8	7	KÖRFEZBANK	229	3.17%
9	8	DIŞBANK	205	2.84%
10	9	EXIMBANK	194	2.69%
11	13	T.S.K.B.	167	2.31%
12	14	OSMANLI	162	2.25%
13	13	İKTİSAT	159	2.20%
14	18	CITIBANK	156	2.16%
15	17	TEB	149	2.07%
16	14	DEMİR BANK	126	1.75%
17	19	ESBANK	121	1.68%
18	15	EGEBANK	118	1.64%
19	16	TÜTÜN BANK	105	1.46%
20	28	TÜRK BANK	93	1.29%
SECTORAL TOTAL			7,215	100.00%

Table 9. Results of the Interviews (Evaluation of the process of the program)

GROUPS OF PEOPLE INTERVIEWED

Questions	1ST GROUP: 4 senior vice presidents and 12 branch & dept. managers	2ND GROUP 20 Mid-level personnel (A/O's, others)
. how they found the place	% 20 found excellent % 60 found fair % 20 found bad	% 10 found excellent % 40 found fair % 50 found bad
. how they found the duration of time	% 20 found sufficient % 60 found insufficient % 20 had no comments	% 35 found sufficient % 45 found insufficient % 20 had no comments
. how they found the instructor of exec. dev. in marketing	% 75 found excellent % 20 found well % 5 found fair	% 70 found excellent % 25 found well % 5 found fair
. how they found the instructor of search conference	% 75 found excellent % 20 found well % 5 found fair	% 70 found excellent % 25 found well % 5 found fair
. how they found the methodology of search conference	% 80 found perfectly designed % 15 found well designed % 5 had no comments	% 85 found excellent % 10 found well % 5 had no comments
. what the objective of search conference was	% 95 explained satisfactorily % 5 did not quite understand	% 80 explained satisfactorily % 10 explained wrong % 10 did not quite understand
. what the objective of the executive development in was	% 98 explained satisfactorily % 2 did not quite understand	% 92 explained satisfactorily % 6 explained wrong % 2 did not quite understand
. if the objective of the search conference was reached	% 65 think was perfectly % 30 think it was somehow % 5 think it was not	% 70 think it was perfectly % 15 think it was somehow % 15 think it was not
. if the objective of the exec. development in mrktg. was reached	% 15 think it was perfectly % 45 think it was somehow % 40 think it was not	% 10 think it was perfectly % 40 think it was somehow % 50 think it was not
. if their expectations from srch. conference were satisfied	% 30 think it was perfectly % 50 think it did somehow % 20 think it was not	% 25 think it was perfectly % 60 think it was somehow % 15 think it was not
. if their expectations from exec. development were satisfied	% 20 think it was perfectly % 45 think it was somehow % 35 think it was not	% 15 think it was perfectly % 40 think it was somehow % 35 think it was not
. if they think search conf. was necessary to initiate such program	% 35 think it was necessary % 40 are indifferent % 25 think it was not necessary	% 30 think it was necessary % 50 are indifferent % 20 think it was not necessary

Table 10.

Impact Analysis of the Search Conference and the Executive Development Program in Marketing

		SEARCH CONFERENCE		EXECUTIVE DEVELOPMENT IN MARKETING	
		TOTAL GRADES GIVEN	ON A 100 SCALE	TOTAL GRADES GIVEN	ON A 100 SCALE
CHANGES/PROGRESSES					
1.	Karaköy Branch was closed.	53	34.19	52	33.55
2.	General Manager meets A/O's	127	81.94	125	80.65
3.	Centrops reorganized	144	92.90	122	78.71
4.	Centrops chiefed by a sen. vice president	127	81.94	138	89.03
5.	Finanscorp was closed.	50	32.26	54	34.84
6.	Merchant Banking was closed.	55	35.48	51	32.90
7.	Technological Progresses	137	88.39	121	78.06
8.	A written job definition bulletin	145	93.55	104	67.10
9.	"Relationship Banking" talked about	105	67.74	139	89.68
10.	"Long-term relationship" talked about	107	69.03	140	90.32
11.	Customer meetings were organized	134	86.45	117	75.48
12.	Internal comm. and rapport increased	131	84.52	93	60.00
13.	More support form Credit dept.	147	94.84	101	65.16
14.	Diversification on customer portfolio	101	65.16	103	66.45
15.	Cash Management division established	82	52.90	62	40.00
16.	Total Quality Management	131	84.52	148	95.48

NOTE: 31 PEOPLE WERE QUESTIONED IN THIS SURVEY. A 100 CORRESPONDS 155 POINTS. A 10 CORRESPONDS 31 POINTS ON THE 100 SCALE.

Figure 1.

INTERBANK ORGANIZATIONAL CHART (April 93)

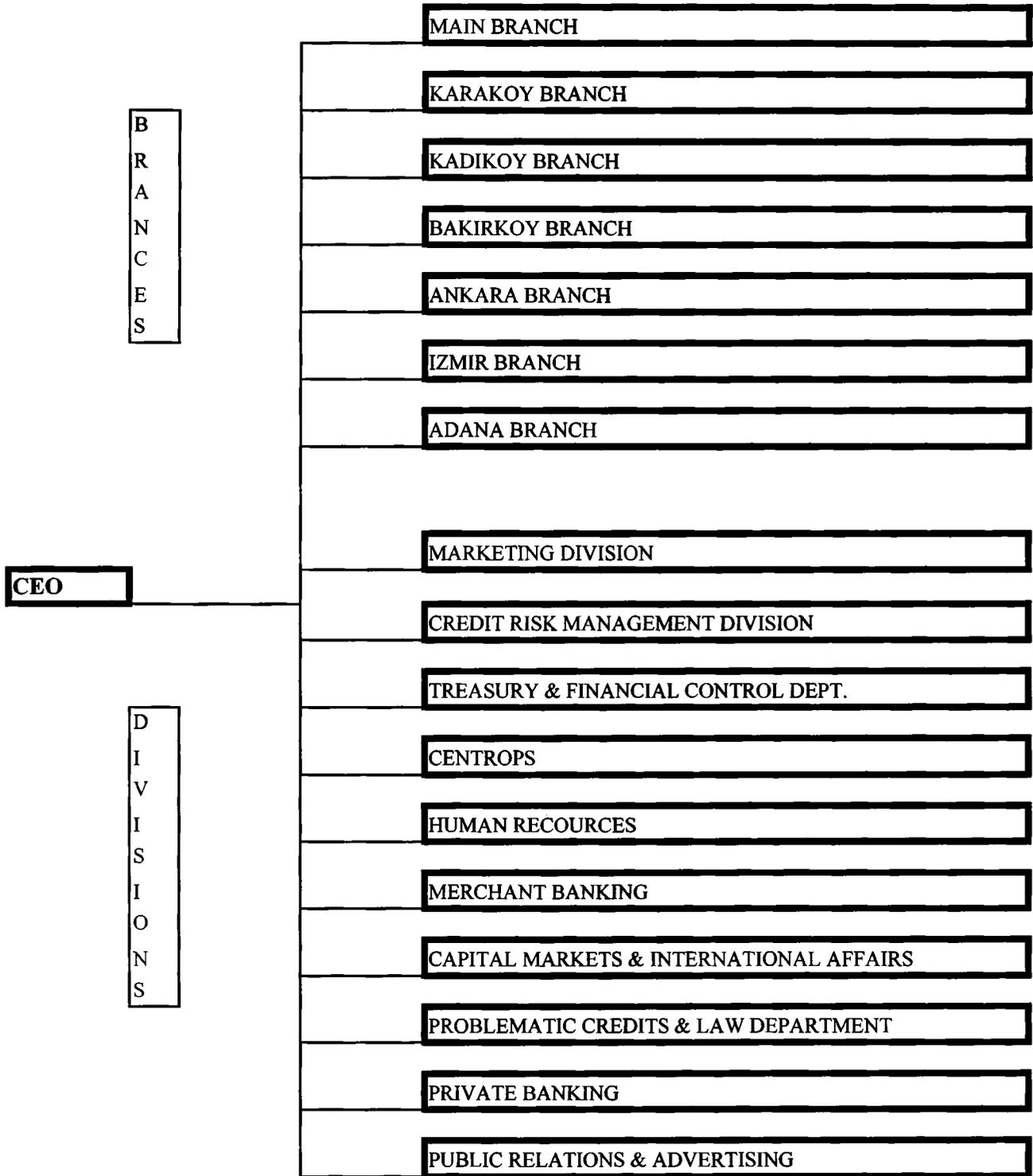


Figure 2.

INTERBANK ORGANIZATIONAL CHART (Jan. 94)

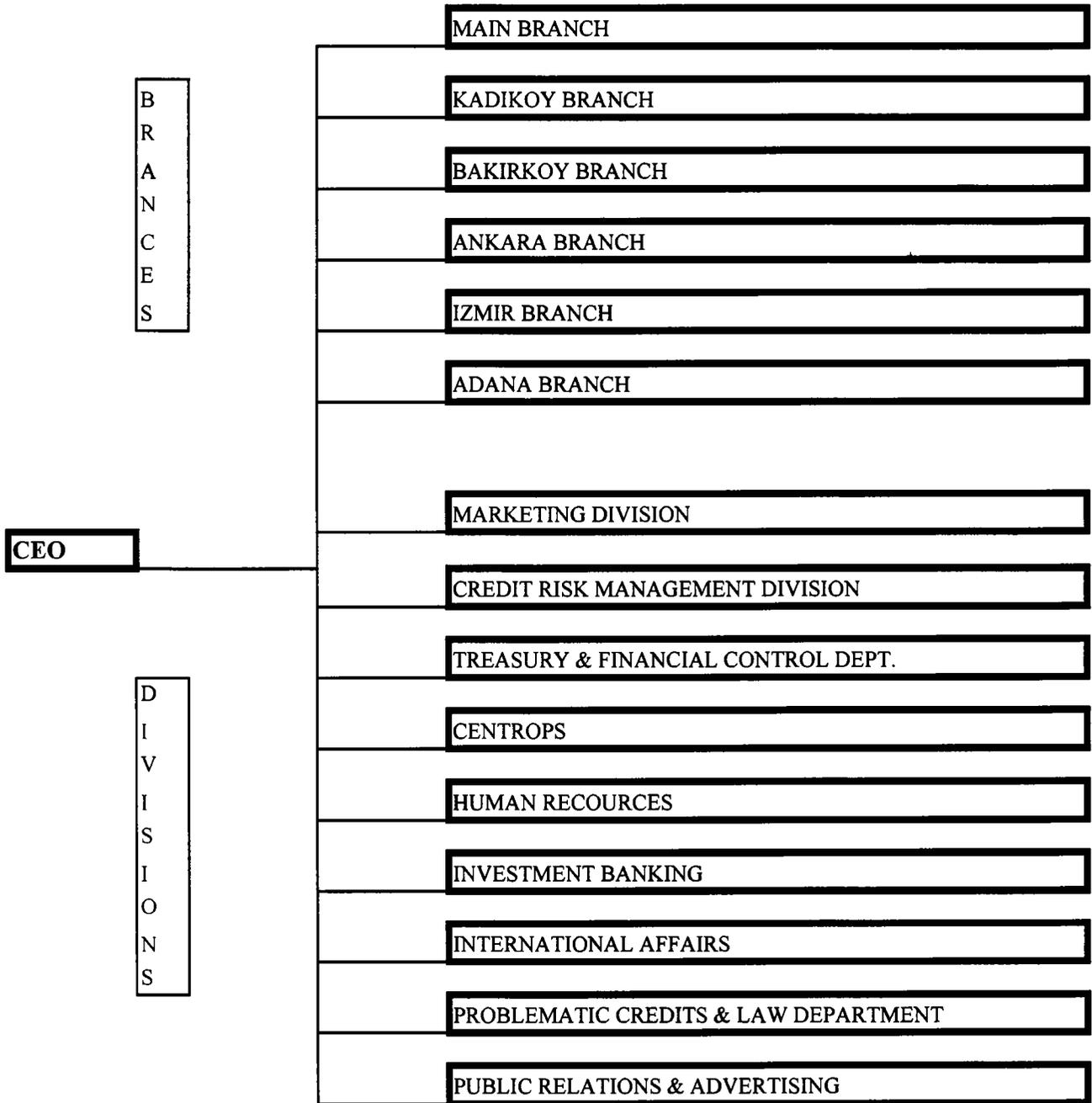


FIGURE 3.

TOPICS OF INTERBANK FUTURE VISION	# OF GROUPS PHRASING THIS TOPIC
A) Technology:	9
B) Centrops:	6
C) Salary and Performance Evaluation Sys.	4
D) Job Definitions of Units and Individuals:	4
E) Customer Diversification:	4
F) Functions of G M Marketing Division	3
G) Functions of Credit Risk Management G	3
H) "Relationship Banking"	2
I) Team Work and Participatory Mngmnt.	2



TOPICS IN STRATEGY
Organizational Structure
GM Marketing & Credit Risk Man. Dept.
Centrops
Account Officer Definition
Relation between GM & Branches
Salary & Performance Policies
Intertech & Technology

Figure 4.

TOPICS OF INTERBANK FUTURE VISION

A) Technology:
B) Centrops:
C) Salary and Performance Evaluation Sys.
D) Job Definitions of Units and Individuals:
E) Customer Diversification:
F) Functions of G M Marketing Division
G) Functions of Credit Risk Management G
H) "Relationship Banking"
I) Team Work and Participate Mngmnt.

CHANGES AND PROGRESSES

1.	Karaköy Branch was closed.
2.	General Manager meets A/O's
3.	Centrops reorganized
4.	Centrops chiefed by a vice president
5.	Finanscorp was closed.
6.	Merchant Banking was closed.
7.	Technological Progresses
8.	A written job definition bulletin
9.	"Relationship Banking" talked about
10.	"Long-term relationship" talked about
11.	Customer meetings were organized
12.	Internal comm. and rapport increased
13.	More support form Credit dept.
14.	Diversification on customer portfolio
15.	Cash Management division established
16.	Total Quality Management

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