

AN APPLICATION OF
INTERACTIVE PLANNING AT
ÖZTİRYAKİLER
METAL GOODS INDUSTRY AND
TRADE INC.

Thesis submitted to the
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Master of Arts

in

Management

by

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February 2006

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To My Parents

APPROVAL PAGE

I certify that this thesis satisfies all the requirements as a thesis for the degree of Master of Arts.

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This is to certify that I have read this thesis and that in my opinion it is fully adequate, in scope and quality, as a thesis for the degree of Master of Arts.

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AUTHOR DECLARATIONS

The material included in this thesis has not been submitted wholly or in part for any academic award or qualification other than that for which it is now submitted.

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ABSTRACT

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February 2006

AN APPLICATION OF INTERACTIVE PLANNING AT ÖZTİRYAKİLER METAL GOODS INDUSTRY AND TRADE INC.

This thesis examines Interactive Planning and its application at the Export Department of Öztiryakiler Metal Goods Industry and Trade Inc. (the Turkish manufacturer of professional kitchen equipment).

Russell Lincoln Ackoff, the initiator of Interactive Planning, interprets an important shift in our perception of the world today, from the analytical style of thinking to systems thinking. Interactive Planning is derived from the systems thinking, which focuses on synthesis—putting things together—of information that generates true understanding of the world. The planning is described as the design of a desirable future and the invention of ways to bring it about. A professional planner facilitates participants of a corporation to achieve the design from information delivered by them. The initiator also clarifies that today's corporations must be considered as "social systems" serving themselves, their parts, and the wider systems of which they are parts.

The thesis, firstly, gives the theoretical background and historical development of Interactive Planning. Then, it studies the current situation at the Export Department of the Öztiryakiler Company. Afterwards, great efforts are used to achieve the most appropriate idealized design for the Export Department by moving toward more democratic planning methods.

The study concludes by suggesting the need for further investigation into the "understanding" of the world that contains us since a large number of businesses fail in their duties by dealing with the wrongly stated problem situations—messes.

Key words:

Dissolve	Expansionism	Systems Thinking
Idealized Design	Interactive Planning	Interactivism
Mess	Producer-Product Relationships	Synthesis
Export	Professional Kitchen Equipment	

KISA ÖZET

MURAD BAZHAEV

Şubat 2006

ÖZTİRYAKİLER MADENİ EŞYA SANAYİ VE TİCARET A.Ş.' DE İNTERAKTİF PLANLAMANIN BİR UYGULAMASI

Bu tez İnteraktif Planlamayı ve onun Öztiryakiler Madeni Eşya San. ve Tic. A.Ş.'nin (profesyonel mutfak ekipmanlarını üreten bir türk şirketi) İhracat Departmanında bir uygulamasını ele almaktadır.

İnteraktif Planlama'nın kurucusu olan Russell Lincoln Ackoff, bizim bugünkü dünyayı anlama şeklimizde analitik düşünce stilinden system düşüncesine doğru önemli bir değişimin olduğunu vurgulamaktadır. İnteraktif Planlama, dünyanın doğru anlaşılmasını sağlayan bilginin sentezi—nesnelere bir araya getirme—üzerinde duran sistem düşüncesinden ortaya çıkmaktadır. Söz konusu planlama, arzu edilen geleceğin tasarımı ve ona ulaşılan yolların buluşu olarak tanımlanmaktadır. Profesyonel planlamacı kurum katılımcılarına, onlar tarafından sağlanan bilgi doğrultusunda, söz konusu tasarıma ulaşmada yardımcı olmaktadır. Söz konusu kurucu, ilave olarak, hem kendilerine, hem kendi bölümlerine, hem de kendilerinin de bölümleri oluşturdukları geniş sistemlerine hizmet eden bugünkü kurumları "sosyal sistemler" olarak açıklamaktadır.

Söz konusu tezde, ilk önce, İnteraktif Planlamanın tarihi gelişimi ve teorik geçmişi açıklanmaktadır. Sonra, Öztiryakiler şirketinin İhracat Departmanındaki bugünkü durum incelenmektedir. Daha sonra, daha demokratik planlama metodlarına ağırlık verilerek İhracat Departmanına en uygun mükemmel dizayna ulaşmak için büyük çaba sarfedilmektedir.

Bu çalışma, bizi içinde bulunduran dünyayı anlamak için daha fazla araştırmayı tavsiye ederek sona ermektedir, nitekim bir çok iş yanlış tespit edilmiş problemler (karışıklıklar) ile uğraştıkları için başarısız olmaktadır.

Anahtar Kelimeler

Kaybolma	Genişletme	Sistem Düşüncesi
Mükemmel Dizayn	İnteraktif Planlama	İnteraktivizm
Karışıklık	Üretici-Ürün İlişkileri	Sentez
İhracat	Profesyonel Mutfak Ekipmanları	

LIST OF CONTENTS

ABSTRACT	iii
KISA ÖZET	iv
LIST OF CONTENTS.....	v
LIST OF TABLES.....	viii
LIST OF FIGURES	ix
LIST OF ABBREVIATIONS.....	x
ACKNOWLEDGEMENTS	xi
INTRODUCTION.....	1
CHAPTER 1.....	4
DESCRIPTION OF INTERACTIVE PLANNING.....	4
1.1. Philosophy of IP	4
1.1.1. The Machine Age.....	5
Analysis.....	6
Reductionism	6
Cause-Effect Relationship and Determinism.....	7
1.1.2. The Systems Age.....	9
Systems Thinking (Synthesis).....	11
Expansionism.....	12
Producer-Product Relationships.....	12
1.1.3. Types of Planning.....	14
Reactivism.....	16

Inactivism.....	17
Preactivism.....	19
Interactivism.....	21
1.2. Principles of IP	24
1.3. IP Methodology	25
1.3.1. Idealization	26
1.3.1.1. Formulating the Mess.....	26
1.3.1.2. Ends Planning	27
1.3.2. Realization	32
1.3.2.1. Means Planning	32
1.3.2.2. Resource Planning	32
1.3.2.3. Design of Implementation.....	33
1.3.2.4. Design of Control	33
CHAPTER 2.....	36
THE CURRENT SITUATION AT ÖZTİRYAKİLER	36
2.1. The Description of Öztiryakiler	36
2.2. The Export Department of Öztiryakiler	42
CHAPTER 3.....	55
INTERACTIVE PLANNING IN ACTION	55
3.1. Formulating the Mess.....	57
3.2. Ends Planning	70
3.3. Means Planning	73
3.4. Resource Planning	83

CHAPTER 4.....	85
CONCLUSION.....	85
BIBLIOGRAPHY	88

LIST OF TABLES

Table 1:	Balance Sheets of Öztiryakiler, 2003-2004.....	40
Table 2:	Income Statements of Öztiryakiler, 2003-2004.....	41
Table 3:	Export Sales of Öztiryakiler and their Increases, 1997-2004...54	
Table 4:	Current, Quick, and Debt Ratios of Öztiryakiler for 2003 and 2004 years.....	58
Table 5:	The Rate of the Total Salaries to the Export Sales.....	81

LIST OF FIGURES

Figure 1:	An Interactive Planning Cycle.....	35
Figure 2:	The Organization Chart of Öztiryakiler.....	43
Figure 3:	Export Sales of Öztiryakiler, 1997-2004.....	54
Figure 4:	The Increases of the Export Sales of Öztiryakiler, 1998-2004.....	54
Figure 5:	The Curve of the Total Salaries to the Export Sales.....	81

LIST OF ABBREVIATIONS

IP	Interactive Planning
ID	Idealized Design
ED	Export Department
CEO	Chief Executive Officer
EM	Export Manager
EAM	Export Area Manager
AEAM	Assistant Export Area Manager

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INTRODUCTION

Problem-solving methods have been continuously changing all the time. We live in the 21st century—century of increased incessant changes of contexts, through which a human must pass and survive. Further growth and development are extremely significant objectives that organizations try to achieve as soon as possible. One of the main tools that should be taken into account to achieve these objectives is planning.

Planning is the process by which a manager looks to the future and discovers alternative courses of action open to him (Massie, 1964:60).

The planning process is a widely definition of achieving goals and objectives. Companies need especially that type of planning that could direct them within some of the more important forms of risk and uncertainty like economic, international political, competitive, supply constraints, money, and government regulation (Naylor, 1980).

“Planning is one of the most complex and difficult intellectual activities in which man can engage” (Ackoff, 1970). Management starts with planning, and it is referred as the most important function of management; other management functions are organizing, directing, and controlling (Graf, Church, and Duff, 1990). The future performances are directly linked to the present actions, and consequently plans. The willingness to guarantee the

future high performances immediately needs improving the present plans (Steiner, 1979).

However, interactive planning (IP), which is the subject of this thesis that was founded by Dr. Russell Lincoln Ackoff, points out that the planning process is the most important product in planning (Ackoff, 1979b). IP treats with the idea that object of concern are problem situations (not problems), and that problems and solutions are in constant flux (Checkland, 1981). It includes planning and pursuing a desirable future through setting out detailed methodology. Being continuous, holistic and participative are operating principles, and centering on the design of an idealized future is the most original element of IP (Ackoff, 1999a).

The aim of this study is to examine an applicability of IP at the Export Department of Öztiryakiler Metal Goods Industry and Trade Inc.—the Turkish manufacturer of professional kitchen equipment. The author of this thesis collected the information about the Öztiryakiler Company during the period of his probation in the Export Department of the company in 2005. There are four chapters in the thesis.

In chapter one—Description of Interactive Planning—we will learn the philosophy, principles, and methodology of IP. Firstly, through the philosophy of IP, by focusing on analysis and synthesis, we will describe the theoretical background and historical development of it. We will understand why the systems are so important for IP. Then the superiority of IP, taking into account a changed conception of the world and a changed conception of the

nature of corporations, will be viewed by comparing Interactivism with the other three ideal planning types: Reactivism, Inactivism, and Preactivism. Afterwards, the participative principle, the principle of continuity, and the holistic principle will be presented under the operating principles of IP. At the end, IP methodology will be studied in terms of formulating the mess, ends planning, means planning, resource planning, design of implementation, and design of control. They generate interrelated and interdependent phases of IP, and are divided into idealization and realization.

In chapter two—The Current Situation at the Export Department of Öztiryakiler—the description of the Öztiryakiler Company and its Export Department with inflexible and distressed atmosphere occurred within it will be presented in order to apply the IP. Apart from the current situation at the Export Department, balance sheets and income statements for 2003 and 2004 years, and export sales of Öztiryakiler and their increases between 1997 and 2004 years, and the organization chart of the company will also be given in this chapter.

In chapter three—Interactive Planning in Action— great efforts will be performed to achieve the most appropriate idealized design for the Export Department of the company. We will pass through formulating the mess, ends planning, means planning, and resource planning phases in the study.

In conclusion, the strengths of IP and its encouraged new universally recognized values of the 21st century will be outlined.

CHAPTER 1

DESCRIPTION OF INTERACTIVE PLANNING

This chapter focuses, firstly, on providing a basis of IP (philosophy), examining its principles, and, lastly, analyzing its methodology.

1.1. Philosophy of IP

Frequent and large adjustments (of what we do and how we do it) are needed to adapt to current rapid changes. Some companies' (or governments') businesses drop out every day because they have failed to adapt to rapid changes or they have adapted inefficiently. An effective dealing with change is possible through understanding its nature by developing a better view of the world (Weltanschauung), which means understanding it in general. Our methods of trying to understand the world and our actual understanding of it undergo fundamental and profound transformations (Ackoff, 1981). It is enough just to mind that we are, according to Toffler (1982), the Third Wave or Knowledge Society, which has been beginning in the middle of 20-th century, and we better understand why the general context of the world is going to be more and more complicated.

Conventional view of objectivity that is resulted from constructing value-free models, which are after verified or falsified within some specifications of the real world, has to be rethought. Purposeful behavior in the field of social

systems science cannot be value-free. It is value-full, as objectivity is a result of open interactions among multifarious individual subjectivities (Flood & Jackson, 1991).

IP derives from the Systems-Age Thinking (Ackoff, 1996), the Systems-Age Thinking arose after the Machine-Age Thinking, approximately in 1940. The Systems-Age Thinking, in essence, supplements the Machine-Age Thinking (Ackoff, 1981). The understanding of the relationship between these 'Thinkings' will help us to understand IP clearly. We will study them in the following subchapters.

1.1.1. The Machine Age

In the Machine Age a lot of people have believed in God, as the Creator of the universe (like a machine) in order to do His own will. Moreover, man—as part of that machine—had been created in the image of God and was demanded to serve God's purposes, to do His will. From this it obviously followed that men, as demigods, ought to be creating machines to do their works. The Industrial Revolution was the result of this inference (Ackoff, 1981).

Machine Age or machine-age thinking was accepted with its features like analysis, reductionism, and cause-effect relations and determinism (Flood *et al.*, 1991).

Analysis

This understanding resembles observations of children (Ackoff, 1994a), that has three-stage process (Ackoff, 1981):

- Taking apart the thing to be understood.
- Trying to understand the behavior of the parts taken separately.
- Trying to assemble this understanding into an understanding of the whole.

This process is called analysis—the basic method of investigation of the age initiated by the Renaissance (Ackoff, 1981). For example, a child, who is given a unique toy he has never seen before, will try to find out what it is. First of all, he will take the object apart. Afterwards, he will discover the functions of the individual parts. Finally, he will try to assemble his comprehension of the parts into a comprehension of the whole (Ackoff, 1994a).

Reductionism

The Machine Age teaching interprets taking apart, conceptually or physically, the thing to be understood in order to understand it. Then how do we understand its parts? The answer is evident: by taking the parts apart. Another question is derived from the answer: Is there any end to such a process? However, its answer is not obvious (Ackoff, 1981).

The general belief of complete understanding of the world as a whole, at least in principal, was concluded by elements—ultimate parts. The belief in

the elements is a fundamental underpinning of the Machine Age. Reductionism, as the doctrine that affirms this belief, states that all reality and our experience of it are reducible to ultimate indivisible elements (Ackoff, 1994a).

Some examples of the ultimate indivisible elements are atoms in physics, indivisible units of chemistry are the elements listed on the Periodic Table, the cells in biology (Ackoff, 1994a), and the phonemes in linguistics. However in Psychology, personality is explained by psychic atoms: human behavior was explained by three elements (the id, ego, and superego) and energy—the libido (Ackoff, 1981).

Cause-Effect Relationship and Determinism

After identifying and understanding of the elements of a thing it was necessary to assemble such understanding into an understanding of the whole, which is expected to be an explanation of the relationships or the interactions between the parts. Again, we confront by another belief: One simple relationship (cause-effect) had been sufficient to explain all interactions. The cause is necessary and sufficient for its effect if the effect cannot occur unless the cause does (Ackoff, 1994a).

The explanation of all natural phenomena by using only the cause-effect relationship led to an occurrence of the next questions/misunderstandings (Ackoff, 1981):

- Is everything in the universe the effect of some cause?

- How can we explain free will, choice, and purpose in a deterministic (determinism will be explained soon) universe?
- The acceptance of a cause as sufficient for its effect. Nothing else was required.

The answers of these questions/misunderstandings prepare the remaining bases for the Machine Age view of the world. The following answers were given step by step (Ackoff, 1981):

- Everything had to be perceived as the effect of some cause; otherwise they could not be related or understood. This doctrine is called *determinism*. The doctrine prevented anything occurring by either chance or choice. On the other hand, if everything is caused, then each cause is itself the effect of a previous cause. So, does our tracing back through the chain of causes reach a beginning of the process? The answer to this question was yes, therefore, a first cause was postulated and taken to be God.
- The definite explanation of free will, choice, and purpose was not given. However, it did not create a problem because there was a predominant agreement on free will and choice. There was no need for the concept of free will or choice to explain any natural phenomenon, including the behavior of man. Free will was an illusion granted to us by God.
- A cause is completely sufficient for explanation of its effect, and nothing else was required, not even the environment. Therefore, the

Machine-Age thinking was environment-free because developing an understanding of natural phenomena was endeavored without using the concept of environment.

In summary, the exclusive application of analysis, the doctrines of reductionism, and determinism (the cause-effect relationship) constitutes the mechanistic concept of the universe. A lot of people viewed the world as a machine, and the universe was corresponded with a hermetically sealed clock (because the clock had no environment). The clock's internal structure and the causal laws of nature determined its behavior (Ackoff, 1981).

1.1.2. The Systems Age

Trying to find a solution through breaking the problematic situations into simpler discrete problems, as it was done in the Machine Age, only intensifies the mess—a system of problems (Ackoff, 1974). This awareness was intensified by World War II, which forced science and scientists to get out of their laboratories into the “real world” and solve important problems arose in large and complex military, governmental, and corporate organizations. Scientists had an experience that the interactions of the solutions of the parts taken separately were more important than the solutions considered separately. The Postindustrial Revolution was the result of this inference (Ackoff, 1981).

The precise understanding of the nature of systems is necessary to understand the Systems-Age Thinking. "A system is a whole consisting of two or more parts that satisfies the following five conditions" (Ackoff, 1994b):

1. The whole is characterized by undertaking one or more defining properties or functions. For example, a defining function of a truck is to transport anything or anyone on land.
2. The behavior or properties of the whole can be affected by any part in the set. For example, the behavior of a truck's steering-wheel, engine, or wheels can affect the performance and properties of the whole—the truck.
3. Each part is necessary but insufficient for carrying out the defining function of the whole. The both necessary and insufficient characteristics are possessed by *essential parts* of the whole. The essential parts of the truck are, for example, its steering-wheel, engine, and wheels. There are also *nonessential parts* of the systems. These parts affect the functioning of the whole but not its defining function. An example of nonessential parts for the truck is its side-view mirror.
4. Any essential part of a system depends on at least one other essential part of the system. There are direct or indirect interactions among the essential parts of the system. For example, steering-

wheel and wheels are essential parts of a truck, the whole, and they do interact.

5. The effect of any subset of essential parts on the system depends on at least one other such subset; a system is a whole, where dividing dependent parts will cause to lose the system's essential properties or functions. For example, a truck is a system, and it is produced by the interactions of its parts, not their sum. If we remove the steering-wheel of a truck, it can transport nothing, not even itself. The truck transports, not their steering-wheel, engine, or wheels.

Systems Thinking (Synthesis)

Putting things together—synthesis—is a focal point of the Systems Age. The system performance is interested in joint fit and work of the parts, which are structurally divisible and functionally indivisible (Ackoff, 1974). The systems approach has also three-stage process (Ackoff, 1981):

- Identifying a containing whole (system) of the thing—the part of the whole.
- Explaining the behavior or properties of the containing whole.
- Explaining the thing (its behavior or properties) by identifying its role(s) or function(s) within the containing whole.

For example, any department of a company; First of all, we would identify the department as a part of the company. Then, we would discover

the behavior or properties of the company. Finally, we would explain the department in terms of its roles or functions within the company.

Expansionism

The Systems Age teaching interprets expanding the system to its containing system, the suprasystem (Ackoff, 1981). It is the doctrine of expansionism, which means looking at things as parts of larger wholes, rather than as wholes to be taken apart. A system is more than sum of its parts (Ackoff, 1974). Then, how do we understand the behavior of the suprasystem? The answer is evident: by expanding the suprasystem to a more extensive system, one that contains the suprasystem. The fundamental question is derived from the answer: Is there any end to such a process? (Ackoff, 1981)

Our understanding is not capable of embracing such a whole, even if it exists, but many individuals believe in the existence of such a unifying whole. The general belief of complete understanding of the universe in whole, at least in principal, was possible: It is called God (Ackoff, 1981).

Producer-Product Relationships

An acorn is insufficient for an oak because in a number of environments it cannot cause an oak—for example, in waterless sandy soil (Ackoff, 1972:22).

Thus, an acorn, possessing characteristics like necessity and insufficiency, is a producer of an oak—its product (Ackoff, 1972). The producer and other necessary conditions can cause a product. The other necessary conditions—

coproducers—of the product constitute the acorn's environment. The environment is required by the producer-product relationship to explain everything. This doctrine is environment-full, not environment-free (Ackoff, 1981).

Mechanization replaces muscle, while automation replaces mind. Mechanization is adopted by the Industrial Revolution; automation is adopted by the Postindustrial Revolution (Ackoff, 1981).

"Synthesis and analysis are complementary processes" (Ackoff, 1981). We can consider synthesis and analysis separately, but we should not divide them into two. Systems Thinking combines the Systems-Age thinking and Machine-Age thinking in a new way. Development of the complementarity between the System-Age and Machine-Age is a major task of the Systems Thinking. Analysis finds out how things work by focusing on structure. Synthesis finds out why things operate as they do by focusing on function. Consequently, analysis—by looking into things—provides knowledge; synthesis—by looking out of things—provides understanding (Ackoff, 1981; Allio, 2003).

As we have mentioned before, each system has its essential and nonessential parts. We should note that suppliers, wholesalers, retailers, and customers may form essential parts of a corporation's environment. On the other hand, there are *transactional* and *contextual* parts of a system's environment. The transactional part of a system's environment can be

influenced, but not control, by a system. For example, consumers and suppliers form the transactional parts of a system's environment (Ackoff, 1999a).

The contextual part of a system's environment can neither be influenced nor controlled by a system. The examples of the contextual parts of a system's environment are mostly natural events like the weather, earthquakes, floods, etc. (Ackoff, 1999a).

1.1.3. Types of Planning

Planners and systems scientists have to operate in the world, where changes take place. Recognizing planning approach that is required by the new circumstances, means appreciating these transformations. Two changed conceptions are needed according to Ackoff: a changed conception of the world and a changed conception of the nature of corporations (Flood *et al.*, 1991).

The new conception of the world is expounded with the "Systems Age". The Systems Age characteristics are increasing rapid change, interdependence, and complex purposeful systems. It also comprises the characteristics of synthesis, expansionism, grasping less direct producer-product relations, and admitting the existence of free will and choice (Flood *et al.*, 1991).

The changed conception of the nature of corporations is needed to accommodate today's needs. In the past, corporations were regarded as

'machines', serving purposes of their creators, or as 'organisms', serving their own purposes (Ackoff, 1981). According to Ackoff (1974 & 1979a), today's corporations must be considered as social systems serving themselves (control problem), their parts (humanization problem), and the wider systems of which they are parts (environmentalization problem). The purposes of all these three layers are sought to serve by managers through developing all organizational stakeholders and removing any conflict among them. The constitution of the new nature will ensure corporation's viability and effectiveness (Flood *et al.*, 1991; Jackson, 2000; Allio, 2003).

Changed conceptions of the world and of the corporation simultaneously bring forth a new kind of planning and automatically the new thinking called interactive planning or interactivism (Flood *et al.*, 1991).

We are going to describe four main ideal types of planning respectively in this subchapter. They are reactivism, inactivism, preactivism, and interactivism (Ackoff, 1981). Reactivism, inactivism, and preactivism are primary traditional types of management. They derive from their attitude toward *time* and *change* (Ackoff, 1999a). After becoming acquainted with these types of planning, the reader could appreciate the preferred type of planning for his/her organization. Furthermore the reader could insert necessary corrections to the current type of planning and could decide applying the most appropriate type of planning within organization.

This thesis is directly related to interactivism.

Reactivism

The past is preferable for reactivists and they believe that as time elapses things are going from bad to worse. Reactivists are past oriented. They prefer avoiding the undesirable to attaining desirable. Their actions are derived from the hate feeling, not the love one (Ackoff, 1974).

Reactive organizations are managed from the top down, but they are planned from the bottom up (Ackoff, 1981; Ackoff, 1999a; Ackoff, 1999b). The lower-level unit passes up unit plans to the next higher-level unit. The higher-level unit edits, coordinates, and integrates the unit plans with a plan similarly prepared at it. The accumulated plans reach the top of the organization in the same way. The top of the organization also edits, coordinates, and integrates the accumulated plans with projects designed at it. However, the corporate plan is occurred in this way (Ackoff, 1999b).

According to reactivists, technology or technological developments are the main reasons for any perceived dislike and inconvenient states. There is an open hostility of reactivists to technology and they usually support the art and humanities. They think qualitatively than quantitatively: experience and history is preferred to scientific experiments in looking for answers. (Ackoff, 1981) Common sense, intuition, and judgment that are based on long experience are important in dealing with problems. That is why experience is in the centre of attention in reactivism, and it is accepted as the best teacher. For this reason responsibilities and authorities are allocated according to the experience. The longer the experience means the higher

position within hierarchy, and consequently the wider authority. Reactivists do not like dealing with complex problem situations and try to divide them into simple problems to get simple solutions—solutions that are ‘tried and true’ (Ackoff, 1974). The approach of reactivists in dealing with a problem resembles the Machine-Age thinking: identify the cause of the problem and try to remove it; even every current problem is derived from its cause (Ackoff, 1981; Ackoff, 1999a). Thus they deal with problems separately, missing the essential properties of the whole and some important features of the individual parts (Ackoff, 1981).

Reactivism is deficient in two ways. In the first place, it removes deficiencies:

When one gets rid of what one does not want, one does not necessarily get what one does want, and may get something much worse (Ackoff, 2001:3).

Secondly, the parts of the organization are dealt separately, not taking into account the interactions among them (Ackoff, 2001).

Organizations and institutions with declining rate of activities in the present economic climate, which were very successful in the near past, are perceivable examples of reactivists (Ackoff, 1974).

Inactivism

The doctrine of inactivists departs from not believing in planning and in problem solving, and their preferred management philosophy is conservative. Another name of inactivists is ‘satisficers’—willing to let well-enough alone

(Ackoff, 1974). They are satisfied with the way things are going and any intervention makes things' going worse. But they always seek to maintain stability and survival, until there is a crisis. Their reactions to remove the crisis consist of doing as little as possible, and doing so only when required by external events (Ackoff, 1999a). Forefathers of inactivists have survived all their crises that were before and there is not any notion like 'affairs against crises' in the literature of inactivists (Ackoff, 1974).

Inactivists do their best to keep changes from being made. They almost fight with them. Their organizations are formed in order to maintain the current structure unchangeable (Ackoff, 1974). "They believe that if nothing is done, little or nothing is happen, and that is what they want" (Ackoff, 1981). All important decisions are taken at 'the top' and necessary measures are established to slow down reaching the top by members to discuss new recommendations and suggestions (Ackoff, 1974).

Efforts of inactivists are directed to wanting what they can get, not to getting what they want. Means are selected according to their feasibility, and ends are fitted to means. Raising the value of something by using advantageous opportunities is very far to the points of views of inactivists, and they start to react only to serious threats, which are threatening the survival of inactivists' organizations. Another very interesting characteristic of inactivists is to prefer errors of omission to errors of commission: Not to do something that should be done is preferred to do something that does not have to be done (Ackoff, 1974).

Universities, government agencies, and publicly protected private monopolies such as utility companies are obvious examples of inactivists' organizations, which are tightly closed to innovations (Ackoff, 1974; Ackoff 1981).

Favorability of circumstances plays important role in survivability of organizations that are managed according to the principles of inactivism (Ackoff, 1981). These organizations only become viable as long as circumstances are favorable to them (Flood *et al.*, 1991).

Preactivism

Predict and prepare for the future are two main attempts of preactivists (Ackoff, 2001). Prediction is more important than preparation: If there is an error in prediction, preparation efforts may be in vain or waste of time (Ackoff, 1999a; Ackoff, 1999b). Preactivists are future oriented and they are satisfied neither with states of the present or the states of the past. Survival is not enough for them, and they strive for grow—becoming better, larger, more affluent, and more powerful (Ackoff, 1974). Doing things well enough is not assumed by preactivists, their objective is to do as well as possible, to *optimize* (Ackoff, 1981).

Apart from being interested in errors of commission and errors of omission, preactivists beforehand draw their attention to the potential opportunities and the actual or potential threats. As result, preactivists with their much effort are directed to deal with problems, if possible, before they

arise. If preactivists do not be in time, they deal with problems when they are not serious yet (Ackoff, 1974). The important point here, according to preactivists, is the uncontrollability of the future. We cannot plan the future itself, but we can plan *for* the future (Ackoff, 2001).

Logic, science, experimentation, and consequently research and development are in the centre of attention of preactivists. They are more interested in hardware and things, rather than software and people. In cause of its more predictability preactivists in dealing with people prefer collective behavior, not individual one (Ackoff, 1974).

Proactive planning is based on the top down. At the beginning, environmental conditions are usually forecasted by a professional planning staff. Afterwards, a statement of corporate objectives is prepared and a broad strategy for the organization as a whole is formulated at the top of management. Finally, the statement and the broad strategy are passed down further. This process is repeated at each successive level (Ackoff, 1981).

With reference to preactivists thinking, a system has a direct control over resources, which manage it. Preactivists allocate and use these resources within the system. They are closed to other systems in the environment, as environment has a constraining effect on them, and, in result, their relation with other systems becomes more competitive, rather than cooperative (Ackoff, 1974).

Proactive managers refer to change as an opportunity to be exploited (Ackoff, 1999a). They believe technology is the principal cause of change,

and look favorably on it (Ackoff, 1981). Preactivists do not deal with changing the system or its environment, and seeking change within the system is perceived by them, as reformers. They believe that the advantage of new opportunities can be taken by them before others. Planning, according to preactivists, is terminated with acceptance or rejection of it by others and they are not responsible for the consequences of plans (Ackoff, 1974).

“If the management philosophy of the reactivist is reactionary, of the inactivist, conservative, then the preactivist’s is liberal.” (Ackoff, 1974) The preferred style of management in the United States today is preactivism. There is a belief that the future will be better than the present or past (Ackoff, 1981)

Interactivism

Interactivists have a different approach to problem solving. They are directed at gaining control of the future. Designing a desirable future and inventing ways of bringing it about are mainly focused themes in aimed planning by interactivists (Ackoff, 1999b). Inputs of planning process are past, present and predictions about the future. A significant part of the future and its effects on us could be controlled according to interactivists. Threats are not only prepared for, they are tried to prevent, and opportunities are not only exploited, but further are created too (Ackoff, 1974; Flood *et al.*, 1991).

According to interactivists, forecasting the future is a waste of time that is done by preactivists. A man is the creator and at the same time the obstacle of the desired future; more depends on our dealing between now and then, than on what has happened up until now (Ackoff, 1974; Ackoff, 2001).

Objectives like survival and growth are not in the centre of attention in interactivism. A great deal of effort is oriented to objectives like self-development, self-realization, and self-control: destinies are designed and controlled through an increased ability. They are idealizers, and formulating of ideals and the design of idealized futures are very important steps to set long-range plans for continuous development. Objectives are formulated and reformulated according to the current knowledge, understanding of themselves and their environment. Interactivists' systems are designed by taking into account increasing ability to learn and adapt rapidly within high rate of technological and social changes. Changes could be anywhere within the system: its structure, functioning, organization, personnel, and resource allocation and utilization. They prefer experimentation to experience, which implements any decision and tests its effectiveness (Ackoff, 1974).

Technology in itself is considered not good or bad by interactivists, but it has a potential for either, which depends on how people use it (Ackoff, 1981). Behavior and technology are interrelated aspects of *sociotechnical systems*. Science and humanities are perceived as two aspects of one culture, which cannot be separated, but can be discussed separately (Ackoff, 1974).

“If inactivists satisfy, and preactivists optimize, then interactivists idealize.” (Flood *et al.*, 1991)

Any problems could be solved, resolved, or dissolved. Dissolving problems is the way that preferred by interactivist planners. *Solving* problems is finding the ‘optimal’ solution of the current state that is preferred by most operational researchers and management scientists. Scientific methods and techniques and mathematical models are going to be employed within the solving process. A lot of managers mostly like *resolving* problems, because an assistance of scientific methods is not necessary in its process. The aim is only to ‘satisfy’ the problem situation or to find the solution that is ‘good enough’ by trial and error approach, based upon a mixture of experience and common sense. Different approach is seen by interactivists in *dissolving* process. Disappearance of problem is observed after changing the system and/or the environment, where the mess—the ‘set of interrelated problems’—is formed. Interactivists, through changing the system and/or environment, pursue the development of organizations, not growth or survival (Flood *et al.*, 1991; Ackoff, 1999b).

On reflection, it becomes apparent that most of what happens to a firm is a consequence of what it does, not what is done to it. Therefore, the objective of management and planning should be to create as much of the future as is possible. This is the objective of a new type of management, the interactive... (Ackoff, 1999a:55).

The future is created by continuously closing the gap between where it is at any moment and where it would most like to be (Ackoff, 2001).

1.2. Principles of IP

IP has three operating principles: The participative principle, the principle of continuity, and the holistic principle (Ackoff, 1979b). We should debate them deeply before getting into the comprehensive study of the methodology of IP.

First of all, the participative principle ideally necessitates participation of all stakeholders in the various stages of the planning process. The participative principle of IP aims at gaining organizational integration and motivation (Flood *et al.*, 1991). It is based on two Ackovian ideas: The process of planning and involving all members of the organization in the planning process. In the first idea, everyone knows that plans play an important role in the achievement of present goals, but only few of them understand that planning process is more important than the actual plan produced (Jackson, 2003). Within this, the members of the organization wholly understand the organization and the organizational roles. “No one can plan for anyone else—because this would take the main benefit of planning” (Jackson, 2000). The second idea involves all members who are affected by planning in the planning process. By doing so, Ackoff is going to prove that objectivity in social systems is ‘value-full’ (Flood *et al.*, 1991).

The second principle is the principle of continuity. In case of unexpected events, it would be irrationally to hope that the plan would work as expected. No plan can predict everything in advance (Ackoff, 1999a). Some modifications in the values of the organization’s stakeholders or changes in

the organization's environment will demand corresponding actions in early defined plans. As a result plans should constantly be revised (Flood *et al.*, 1991).

The last principle is the holistic principle. According to this principle, plans are going to be created simultaneously and interdependently for every part and level of a system (Ackoff, 1979b). Easier understanding of it can be done by splitting the holistic principle into coordination and integration subprinciples. According to the principle of coordination, units at the *same* level should plan together and at the same time in order to coordinate interactions between units. Fitting the principle of integration, units at *different* levels define their plans simultaneously and together to coordinate effects of taken decisions between the levels (Ackoff, 1999b). "Holism by itself confers many advantages over traditional, reductionist approaches in dealing with complexity, change, and diversity" (Jackson, 2003).

After a full understanding of the principles of IP, we are ready to study its methodology.

1.3. IP Methodology

There are six interrelated phases in the context of IP. They are (Ackoff, 1999a):

- Formulating the Mess
- Ends Planning
- Means Planning

- Resource Planning
- Design of Implementation
- Design of Control

These phases are divided into two parts: Idealization and realization. Formulating the mess and ends planning are phases of idealization. Means planning, resource planning, design of implementation, and design of control are phases of realization—IP is directed at realizing an idealized design (ID) as closely as possible (Ackoff, 2001). These phases constitute a systemic process, and starting it may be in any order (Ackoff, 1979b). In continuous planning, none of the phases, even the whole process, is perceived as completed (Ackoff, 1981; Flood *et al.*, 1991; Ackoff, 1999b). The phases of IP are interdependent. Each phase affects others, and is affected by the others (Ackoff, 1979b).

1.3.1. Idealization

1.3.1.1. Formulating the Mess

The first phase of interactive planning is formulating the *mess*. Ackoff has chosen the word mess to express a *system of problems*, or a set of interrelated problems, which is occurred from interaction of every problem with other problems (Ackoff, 1974).

During this stage we highlight the organization's problems and prospects, and threats and opportunities, by working out the future the system is currently in. "This is a projection of the future that the organization would be

faced with if it did nothing about things, and if developments in its environment continued in an entirely predictable way” (Flood *et al.*, 1991).

This projection requires the following four types of study:

- **a systems analysis**—a detailed description of currently operating system of an organization is given; also its works’ procedures, affects (who and how), and relationship with environment are described (Flood *et al.*, 1991);
- **an obstruction analysis**—any obstacles to corporate development of the organization are recognized (Jackson, 2000);
- **reference projections**—future performance of the organization is predicted by inferring its present performance, assuming (1) no any changes in its current plans or procedures, and (2) continuing trends in the environment as in the present conditions (Ackoff, 2001; Jackson, 2003);
- **a reference scenario**—is a final study and the output of this phase, being achieved by synthesizing the first three types of study, which formulates the mess of the organization (Jackson, 2000; Ackoff, 1999b).

1.3.1.2. Ends Planning

The purposeful ends—in the sense of ideals, objectives and goals—are clearly described in the ends planning stage (Jackson, 2003). The starting point of this process is the ‘idealized design’—the most unique and most

essential feature of IP. The ID is very important for relevant stakeholders of the organization. These stakeholders would replace the existing system with today, if they were free to do so. The preparing of ID is done through three steps (Flood *et al.*, 1991):

- **selecting a mission**—is a main-purpose statement through which the organization's responsibilities are integrated with its environment and stakeholders; also it proposes an idea of a vision: What the organization could be like which generates commitment;
- **specifying desired properties of the design**—an extensive list of desired properties, accepted by stakeholders, to be built into the system;
- **designing the system**—undertaking an obtainable ways of all the specified properties of ID.

However, there are two additional steps of the preparing ID. They are, the forth step, formulating of the closest approximation to this design that is believed to be attainable and, the fifth step, identifying the gaps between the approximation and the current state of the system (Jackson, 2000; Jackson, 2003). "The remainder of the planning process is directed at removing or reducing these gaps taken collectively and interactively" (Ackoff, 2001).

Two IDs should be prepared by going through this process twice. First model should assume no changes in the wider containing "system", and the other model is prepared considering these changes. A high rate of distinction between the results of these models pushes the organization, during the rest

of the planning process, to concentrate much effort to bring about changes in the 'wider system' (Flood *et al.*, 1991).

All the involved stakeholders are required to show careful thought to generate maximum creativity to meet the requirements of ID (Flood *et al.*, 1991). But two types of constraints are considered as well to ensure the process of ID: Being technologically feasible and being operationally viable. Under the first constraint we understand possibility of realizing the ID with known technology or technological developments. The second constraint demands the capability of working and surviving if ID were implemented (Ackoff, 1978).

Idealized design is as applicable to small systems, even individuals, as it is to large ones; it is as applicable to parts of a system as it is to the whole (Ackoff, 1978:28).

"The design must be capable of being improved continuously from within and without" (Jackson, 2000). ID does not produce the system (–utopia) that can operate for all time. In case of deficiency of all the information, data and knowledge necessary to settle issues and forecast the future of the organization, producing utopia would be impossible. It is important for designed system to be capable of rapid and effective learning, and adaptation, and also to be highly flexible, continuously searching for improvements of its performance. The aim of ID is to design the best 'ideal-seeking system' by imagination of the stakeholders. The ideal-seeking system does its best to respond to changing values, new knowledge and

information, and to protect itself from external forces. Such a 'responsive decision system' contains five essential functions (Flood *et al.*, 1991; Jackson, 2000):

- a) Problems (threats and opportunities) are recognized and formulated;
- b) Decision making—activities are arranged to avoid threats and to benefit from opportunities;
- c) Implementation—putting it into practice;
- d) Control—performance is monitored and actions are modified to remove any previous mistakes;
- e) Necessary information is acquired, generated, and distributed to carry out the other functions.

ID covers some important aspects of organizations. The typical list of the aspects is ordered as followings (Ackoff, 1999a):

- Products and services to be offered
- Markets to be served
- Distribution system
- Organizational structure
- Internal financial structure
- Management style
- Internal functions, such as: Purchasing, manufacturing, maintenance, engineering, marketing and sales, research and development, finance, accounting, human resources, building and

grounds, internal and external communications, legal, planning, organizational development, computing and data processing

- Administrative services (e.g. mail and duplicating)
- Facilities
- Industry, government and community affairs

All organizations those preferred ID are supplied, according to Ackoff, with considerable benefits. Organizations get their benefits through (Ackoff, 1979b; Jackson, 2000):

- Facilitating the participation of all stakeholders in the planning process;
- allowing stakeholders' aesthetic values to integrate into the planning;
- generating a consensus among participants;
- harnessing released suppressed creativity to individual and organizational development;
- expanding participants' concept of feasibility by disclosing that 'ourselves' is the biggest obstacle to the most desired future;
- easy implementing of participants' plans: people implement plans effectively if they make them.

1.3.2. Realization

1.3.2.1. Means Planning

We create and question our policies and proposals at this stage. Also we decide whether there is a capability of policies and proposals to fill the gap between the ID and the way the future looks like or not (Ackoff, 1999b; Flood *et al.*, 1991).

1.3.2.2. Resource Planning

Five types of resources should be taken into account within this stage (Jackson, 2000):

- consumables—materials, supplies, energy, and services;
- plant and equipment—capital goods;
- people;
- money;
- data, information, knowledge, understanding, and wisdom.

Afterwards, few questions have to be identified, taking into account relations between resources and selected means (Ackoff, 2001):

- How much of each type of resource will be required, when, and where?
- How much of each type of resource will be available at the desired time and place?
- What to do about the identified shortages or excesses?

1.3.2.3. Design of Implementation

Decisions of 'who is to do what, when, where and how?' are taken during this stage (Jackson, 2000; Ackoff, 1979b). The stage concerns translating the means selected in means planning into instructions (Ackoff, 1999a).

1.3.2.4. Design of Control

Design of control is the last stage of IP, and it is directly related to the obtained results in the implementation stage, which are going to be monitored to ensure that plans are being accomplished correctly. The outcome of results is returned —feedback—to the input, planning process, so that learning and adaptation are possible and necessary actions for improvement can be invented (Flood *et al.*, 1991; Ackoff, 1999a; Jackson, 2003).

The IP was applied at DuPont. The application was made by transforming a safety, health, and environmental (SHE) function to deliver business value. The modest attention was given to integrating the work. In result, the following four major findings were achieved (Leemann, 2002):

1. SHE professionals reorganized from independent to interdependent knowledge workers;
2. SHE performance increased by nearly fifty percent;

3. Participation and personal commitment were enabling factors, while organizational turbulence and lack of recognition were disabling ones;
4. The proliferation of organizational learning was established among SHE professionals, and tacit SHE knowledge became explicit on the factory floor.

The six phases of interactive planning process and relations among them are shown in Figure 1. The figure may help us to comprehend the process of IP entirely.

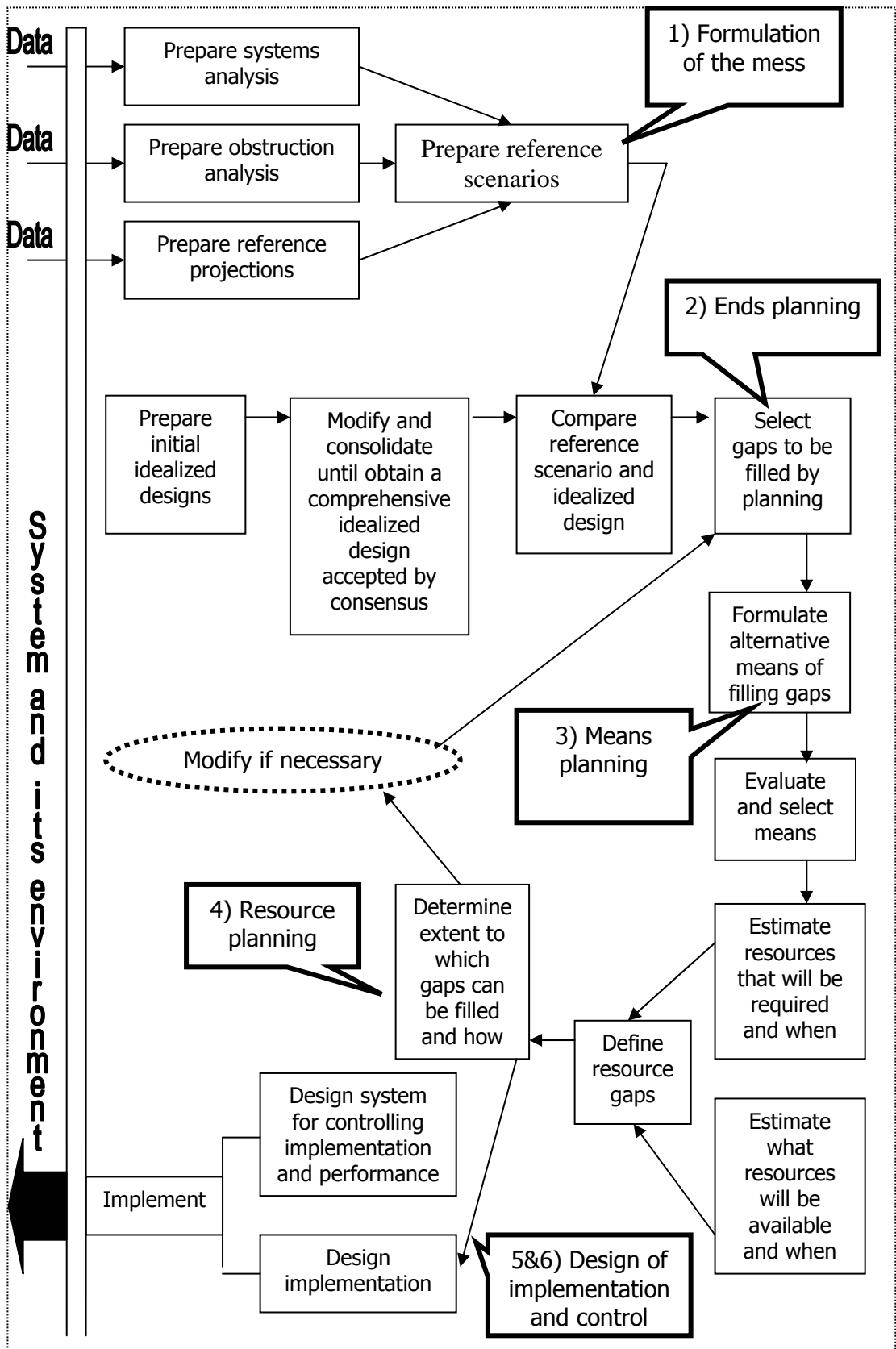


FIGURE 1. AN INTERACTIVE PLANNING CYCLE (Ackoff, 1981)

CHAPTER 2

THE CURRENT SITUATION AT ÖZTİRYAKİLER

The chapter initially describes Öztiryakiler and then the Export Department of Öztiryakiler.

2.1. The Description of Öztiryakiler

Öztiryakiler is a family business that was established in 1958 in Turkey. Nowadays it is one of the leading companies of Europe and the leading company of Turkey in manufacturing and exporting professional kitchen equipment. With reference to its manufacturing capacity and the quality of its products, we can surely say that, under 'OZTI' brand, it has become a trademark in the world and takes its place in the top ten of the largest companies of the world that have capacity of manufacturing professional kitchen equipment.

When Öztiryakiler was established, its used primary raw material was copper, and the products such as saucepans and teapots were made by copper. Afterwards the company replaced copper by aluminium. The primary raw material has been changed to stainless steel since 1980, so that it can be congruent with the current market needs. Using stainless steel as raw material, the company has also achieved important properties such as hygiene, healthiness, and safety, and has increased quality, resistance, and durability of its products.

Öztiryakiler pays attention to the modern technology to be used to manufacture its products, and consequently its accepted slogan has become as: "Experience, technology, and quality allow confidence!"

Today, Öztiryakiler is a group of companies which includes the following establishments (www.oztiryakiler.com.tr):

- Öztiryakiler Metal Goods Industry and Trade Inc.
- Ekonoma Kitchen and Service Equipment Inc.
- Aymak Industrial Kitchen Equipment and Trade Inc.
- Öztiryakiler Industrial Coating and Trade Inc.
- Aysberg Cold Metal Industry and Trade Inc.
- Oztinox LLC (joint venture of Öztiryakiler in Moscow, Russia)
- Ekonoma Servotel Kitchen and Service Equipment Inc.
- Blanco Öztiryakiler Inc.
- Öztiryakiler Kitchen Products Tourism Trade Ltd. Co.
- Özmet Industrial Kitchen Equipment and Trade Inc.

Öztiryakiler manufactures and supplies more than 3500 kinds of industrial and home kitchen products. Hotel kitchens, restaurants, bakeries, tourism sites and vacation villages, pastry shops, catering companies, bars, laundries, military kitchens, open area kitchens, and home kitchens are comprised as targeted objects by the company at the internal and external markets.

Since pronouncing and keeping in the memory of "Öztiryakiler" was too difficult for foreign customers, its brand name has been changed to "Ozti".

Further it has helped remove negative meaning of the last five letters of Öztiryakiler word (-kiler), which connotes 'murderer'.

Let us have a look at the products of Öztiryakiler:

The exporting products of the company have two-year guarantee and consisted of kitchenware, professional main kitchen equipment, and Ekonomia products.

The kitchenware products include cooking (pots, pans, frying pans, and lids), carrying (roasting pans, food carrying containers, and thermotranses), preparation (gastronorm containers and their lids, some whisks, ladles, skimmers, skewers, and knives), service (chafing dishes, self service trays, some tongs, and other accessories), and pastry (some non stick pans for cooking purposes in an oven) articles.

Contents of the main kitchen equipment are professional 900 series, midi 750 series, snack 650 series, cold units (like refrigerators and salad bars), dishwashers and vegetable washing machines, preparation machines, kitchen and service trolleys, serving counters, sink units and working benches (like meat blocks etc.), and other cooking units. Gas and electrical ranges, fryers, grills, bain-marie, boiling pans, tilting bratt pans, gas lava stone grills, and electrical french fry warmers are the common contents of the 900, 750, and 650 series. The 900 series' products width is common—900 mm. Widths of the 750 and the 650 are in sequence 750 mm and 650 mm.

The 900 series' products can serve 500 people or more, the 750 series' products should be preferred to serve 250-500 people, and the best

appropriate products to serve 250 people or less are products of the 650 series.

Terms Ekonoma or Ekonoma products are preferred to unite service trolleys, pulpits, banquet tables and chairs for hotels that are manufactured by Öztiryakiler's established enterprise called Ekonoma, which is located in Bursa province. Also Ekonoma is one of the best of Turkish manufacturers of open buffets that are very useful in hotels.

There are additionally some products that are supplied from both internal and external markets, which are also prepared for export.

Besides above mentioned products the company is interested in completed turnkey projects, which are executed by its project department.

The main local competitors of Öztiryakiler are Çözüm, Gürçelik, Inoksan, Kayalar, and Metalsan. The strongest competitor of Öztiryakiler in Turkey is Inoksan.

Exporting goods (as we all know or guess) is very significant activity that requires safety and necessitates some quality certificates. As we have mentioned before: Quality, hygiene, and safety are common characteristics of the company's products that are prepared for durability purpose. The available certificates of the company are ISO 9001—Quality System Certificate—and some certificates of conformity for Europe, USA, Russia, Turkey, Croatia, Romania, Ukraine, Poland and the Netherlands.

Financial statements (Table 1 and Table 2) of Öztiryakiler for 2003 and 2004 years are presented below.

TABLE 1. BALANCE SHEETS OF ÖZTİRYAKİLER, 2003-2004 (USD)

	<u>31.12.2003</u>	<u>31.12.2004</u>
ASSETS		
Current Assets	18.062.363	27.665.218
Cash	2.312.183	3.028.362
Marketable securities	31.538	24.989
Accounts receivable	8.251.601	12.126.605
(-) Allowance for doubtful accounts		
Inventories	6.583.641	11.840.794
Other Current Assets	883.400	644.468
Long Term Assets	6.775.916	18.240.441
Long Term Receivables	1.208	1.256
Long Term Financial Assets	423.791	807.119
Tangible Fixed Assets	5.730.670	13.283.425
<i>Property, Plant, Equipment, and Others</i>		
(-) Accumulated depreciation and amortization		
Intangible Fixed Assets	597.140	4.097.529
Other Long Lived Assets	23.107	51.112
TOTAL ASSETS	24.838.279	45.905.659
LIABILITIES AND SHAREHOLDERS' EQUITY		
Total Liabilities	15.755.677	26.701.670
Short Term Liabilities	12.238.319	17.899.367
Long Term Liabilities	3.517.358	8.802.303
Shareholders' Equity	9.082.602	19.203.989
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	24.838.279	45.905.659

TABLE 2. INCOME STATEMENTS OF ÖZTİRYAKİLER, 2003-2004 (USD)

	<u>31.12.2003</u>	<u>31.12.2004</u>
Net Sales	42.254.909	52.323.878
Cost of Goods Sold (-)	32.735.193	40.408.230
Gross Profit	9.519.716	11.915.648
Operating Expenses (-)	7.801.763	9.841.338
Operating Profit	1.717.953	2.074.310
Income and Profits from Other Operations	2.951.220	5.370.484
Expenses and Losses from Other Operations (-)	846.161	4.713.515
Financial Expenses (-)	3.345.177	2.211.059
Profit Before Extraordinary Items and Tax	477.835	520.220
Other Income and Profits	339.286	353.054
Other Expense and Losses (-)	315.606	133.629
Earnings before income taxes	501.515	739.645
Income Taxes	237.362	259.323
NET EARNINGS	264.153	480.322

Öztiryakiler has been an employer of 950 employees (650 workers and 300 officers) and its R&D budget was 315.000 USD in 2004.

Öztiryakiler's mission statement is:

"With all our personnel,

- Meeting with all expectations of our customers at maximum level;
- Providing with continuous welfare to the society and environment;
- Sustaining quality and service."

And the company's vision statement is:

“Becoming the leader in our sector in the world.”

2.2. The Export Department of Öztiryakiler

Öztiryakiler exports its products to more than 80 countries, especially to Europe, North and South America, Australia, North Africa, Middle East and Far East. Less than 50 percent of Öztiryakiler’s business is focused on export activities, and Export Department’s managers run their business activities by using their knowledge of products that are manufactured, supplied, or imported by the company.

There are twenty managers in the Export Department (ED). One of them is the head of the ED called Export Manager (EM). The Export Area Managers (EAMs) are one level lower than the EM. The Assistant Export Area Managers (AEAMs) take their positions under the EAMs. There are nine EAMs in the ED and each of them is assisted by at least one AEAM (some AEAMs assist two EAMs).

All managers in the ED are expected to maintain mutually benefiting relations with its customers and to extend the portfolio of customers. The countries of the world (as areas) are given to the EAMs according to their language skills.

Running the business in Öztiryakiler is done with a strict adherence to the organization chart of the company (Figure 2):

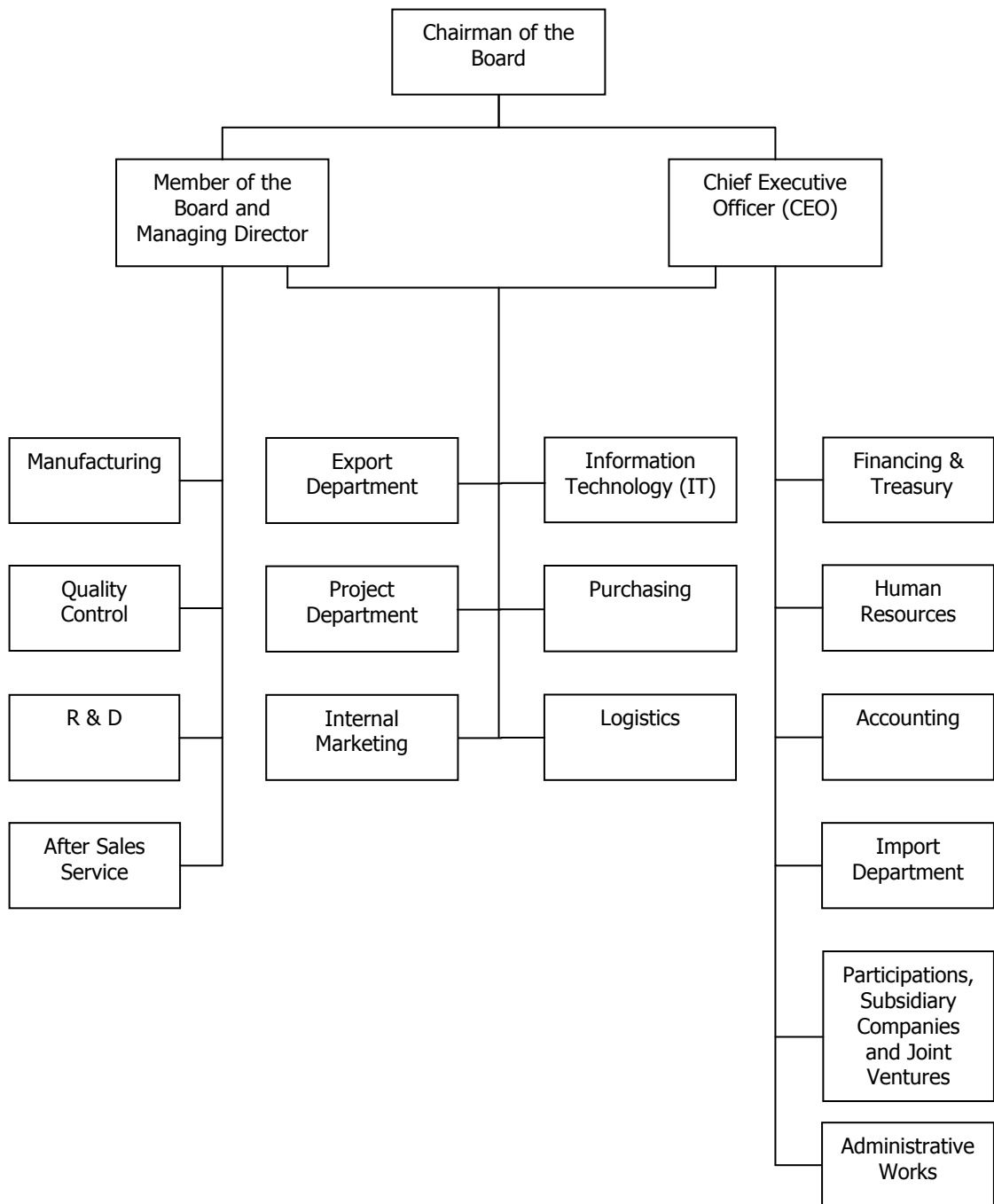


FIGURE 2. THE ORGANIZATION CHART OF ÖZTİRYAKİLER

As we understand from the organization chart, the upper level of the EM is the level of the Managing Director and the Chief Executive Officer (CEO). The Chairman of the Board takes his place at the top of the hierarchy of

Öztiryakiler. The Figure does not show us a significant detail—that the EM is the daughter of the Chairman of the Board and the niece of the Managing Director. The Chairman of the Board is the old brother of the Managing Director. The Chairman of the Board, the Managing Director and the EM are owners of the company.

The EM is capable of speaking Turkish, French, and English languages. All EAMs know at least one foreign language, and English, as a basic language, is known by each EAM. Some of them have knowledge of English and French, English and German, English and Russian, English and Arabic, or English and Chinese languages. At the same time, some AEAMs have the same qualifications, but the others know only elementary knowledge of English, to meet the minimum requirements of the ED. The assistants are appointed with reference to their knowledge of foreign languages. More than 10 languages are spoken in the ED totally. However, the other departments are poor in terms of staffs who speak foreign languages.

The perfect knowledge of Turkish language is required by each EAM and AEAM in case of exactly transferring the customers' needs to the Management of the company, to the Logistics Department, and, if there is an additionally required specifications in products (let us refer them as special products), to Manufacturing Departments and others. Here, under transferring, we understand translating the customer needs from foreign language to Turkish, which are mostly undertaken by the EAMs, and rarely

by the AEAMs. The same attention is given to send replies back to the customers.

The most of Manufacturing Departments and the ED are in the same building, and it allows a possibility for new customers to see the manufacturing live, which effectively helps the EAMs in persuading them to prefer the products of the company.

Being annually participant of at least 25 international and domestic exhibitions is one of the most significant promotional purposes of Öztiryakiler. The company manufactures products with high quality, but the same attention is not given to the promotion. Some catalogues were translated from Turkish into English, Russian, German, and Greek. When customers read these catalogues, some unimportant grammatical mistakes give rise to bad impressions about the manufacturer. This situation is going to be complicated when sales materials (catalogues, interactive CD, prices, company promotion profile, website, and certificates of conformity) and after sales materials (manual users, technical drawings, and spare parts prices) are not updated in due course.

The EAMs, with reference to given instructions by the EM, arrange the sales strategies, draw up periodical reports, conclude contracts, and visit customers. Furthermore the EAMs are responsible for searching and arranging exhibitions and they go abroad to participate in them with the EM, the CEO, or the Managing Director. Öztiryakiler (besides tickets, hotel, and food expenses) allocates \$30 or €30 per day as additional fee to the EAMs or

the AEAMs during their business trips (depending on the area, where the currency is used: for Europe–Euro; and for the USA and the Russian Federation – U.S. dollar).

While the EAM is away, his/her work in the office will be undone. As the EAM returns to Turkey, he/she needs time to reduce the accumulated work.

There is also operational unit of Öztiryakiler, which takes its place within the ED. Responsibilities of the unit are preparing customs declaration, and giving necessary instructions to customs agency (to complete customs affairs in Turkey and to prepare certificate of origin) and forwarder (in order to prepare a bill of lading).

As we have mentioned above, turnkey projects are executed by the project department, which has a shortage of coordination with the ED. The EAMs' background is not sufficient to undertake works with a lot of technical details, and this leads to losing some important international public tenders.

The procedural rules of the ED include transferring the customer orders to the Manufacturing Department, advising customers with the expected shipment date (the EAMs and the AEAMs, discussing shipment conditions with the customers and the Logistics Department, arrange the shipment dates), and the volume of their orders, and (after shipping) sending necessary documents to the customers for customs clearance of the goods. The ED is also interested in looking for transportation companies—forwarders—to send the goods to the customers' destinations.

Orders from customers are usually received by mail or by fax. The received customer orders are clearly examined by EAMs and/or AEAMs. The relevant AEAM prepares a proforma-invoice for the received customer order and sends it back for the customer confirmation. Necessary instructions to start the production are also given by AEAMs, after receiving the customer confirmation of the proforma-invoice.

The preparing of the proforma-invoice is a crucial step towards improving efficiency in subsequent steps. Each item of Öztiryakiler has its own code. Codes, descriptions, quantity, the price of ordered goods, names and post addresses of exporter and importer, terms of payment and delivery, an expected shipment date, and bank details are mentioned in the proforma-invoice that is resent back for the customer checking and confirmation. After receiving a written confirmation from the customer, the order (via the Logistics department) is going to be transferred to the Manufacturing Department to start the production. The payment details are discussed before a shipment, and the goods are going to be shipped on the shipment date. Some documents such as packing list, invoice, certificate of origin and bill of lading are sent to the post address of the customer or to a relevant bank by air-courier.

Öztiryakiler sometimes receives orders for special (non-standard) products. The EAM gives written information to the engineers of the relevant Manufacturing Departments concerning the matter. The responsible engineer discusses all the details of the non-standard product order with the EAM. The

final result of discussion about the matter is sent back to the customer. If the price and quality are accepted, a sample will be sent to the customer. Especially, the EAM who deals with issues in France declares that he has many orders of such non-standard products.

The customer complaints are highly appreciated by Öztiryakiler. The company makes its best to accommodate the needs of its customers. Any EAM (or, sometimes, his/her assistant), after receiving a complaint, immediately translates it to the Turkish and gives written information to the relevant engineers of the Manufacturing Departments. After discussion about the problem with engineers, the final result is sent back to the customer, if it is possible, in 24 hours. This matter—customer complaints—settles the problem of the customer, removes defects, and helps to increase the quality of the company's products.

An average lead time of each customer order is four weeks. The lead time of import products, if they are not available in stock, is more than eight weeks. An extraordinary demand is observed for the refrigerators and deep freezers that are manufactured by Öztiryakiler's established enterprise called Aysberg. An average lead time of Aysberg's products is 4-6 weeks. The same lead time could be seen in the second and the third quarters for open buffets, service trolleys, banquet tables and chairs, manufactured by Ekonomia.

More than fifty percent of hotels in Antalya (very famous province that is visited by foreign tourists to spend their vacations) prefer equipment that is

manufactured by Öztiryakiler (or its established companies, like Ekonomia). New hotels of Turkey that are going to be opened soon increase their demand in the second and the third quarters. However, regarding that the customers from Europe usually take their vacation in August, the second and the fourth quarters are known as a period when there is a high seasonal demand for the product of the company.

The volume of the goods—the packing list—is defined seven days (but usually two or three days) in advance of the shipment date. Giving information to the ED about lead times and volumes of orders are the responsibilities of the Logistics Department.

In such conditions, the customers do not know the volume of the goods until they receive the packing list where the volume and weights (net and gross) are mentioned. Additionally, the customers start arranging shipment and discussing shipment details with the forwarder after receiving the packing list. This situation complicates business with customers from post-Soviet countries from which received orders' (of kitchenware products especially) quantity is low, but the frequency is very high. These customers also need the goods urgently, usually within one or two days.

The running the business with institutionalized customers is easy and pleasant. These customers exactly know their duties and responsibilities. The quantity of institutionalized customers is more in the developed countries (in Europe and America), and they, on a large scale, facilitate the work of the relevant EAMs and AEAMs. For example, Öztiryakiler has good business

relationships with Metro Cash and Carry. The most preferred products of Metro are salad bars, chafing dishes, ranges ($\frac{1}{2} \text{ m}^2$), pizza ovens, and meat blocks. On the other hand, there are also some customers of the company that are fully capable of speaking Turkish language.

Öztiryakiler, as wholesaler, accepts orders with, at least, total amount of €5,000. Sometimes additional discounts (one to ten percent) are offered to the orders with high amounts (€30,000 or higher).

The purchasing power of developing countries is less than that of developed countries, but the price level (—discount rates) for abroad markets—that is approved by Öztiryakiler—is nearly to be the same. Only the joint venture of Öztiryakiler in Moscow called Oztinox has the highest discount rate. The preferred international business conditions for Öztiryakiler are advance payment and, according to the International Commercial Terms, Exworks/Istanbul terms of delivery. These conditions have the lowest risk and responsibility for the manufacturer. The business activities under the other terms of payment (letter of credit, guarantee letter, cash against goods, and cash against documents) and International Commercial Terms are also available in the company and are being done with reference to the agreement that was accepted by the both sides. The company is naturally concerned about the future, and it does not deliver the goods on credit terms.

Some programs for the integration purposes of all departments were used in the company before Microsoft Axapta. Öztiryakiler have been using

Axapta since 2004, and it makes easier a lot of works. However, the Logistics Department says that the previous program, that was prepared by IT Department of the company, had been accommodating their needs more precisely than the current one. Meanwhile, the EM has already received several complaints from the EAMs about the insufficiency and uselessness of Microsoft Axapta in drawing up the annual, semi-annual, and quarter-annual reports.

The ways of using these programs (for example, Microsoft Axapta since 2004) are clearly studied by the AEAMs. They should know entering new order from the customer into Axapta, otherwise giving necessary instructions to the Logistics, Manufacturing and others departments will be impossible. The procedures of printing final packing lists and invoices (these documents may include 1 proforma-invoice or more; a proforma-invoice is prepared for each order, but invoice is prepared summarizing all these proforma-invoices) are exactly known by the AEAMs.

Sales and Marketing Departments have different duties and responsibilities. According to the EAMs, if we carefully look inside the ED, we will see that it mostly undertakes the role of the Sales Department, and the Department for international marketing is absent in the company.

The EAMs and the AEAMs do not know all the prices of its local and abroad competitors. They also do not know the manufacturing costs of the goods of Öztiryakiler. Only thing that they know is a discount rate (maximum discount rate is defined by the Board of Directors at the beginning of each

year) given by the EM for their customers. The discount rates allowed to the customers are not the same. For example: The Company, taking into account that maximum discount rate is twenty percent, may give a discount of ten percent to customer A, five percent to customer B, and fifteen percent to customers C and D.

The Management of the company decided to decrease operating expenses by lowering telephone expenses in 2005 and the communication by telephone started to be done through the Internet. The EAMs usually speak to the customers on the telephone, but new system has really discouraged the EAMs and it periodically does not work well: the EAMs should dial numbers of customers at least two or three times to discuss some details, and they sometimes even could not reach them. It is uncomfortable for the managers to speak to the customers through the Internet, when the customers hear their voices (and the managers hear the customers' reply) within one or two second(s).

The managers of the ED begin work at 8:00 a.m. and they stop work at 6:00 p.m. on weekdays, and Saturdays and Sundays are the days of their weekend. If we say that coming to work and returning home would take employees about an hour (two hours in totally, it is an average time for such metropolitan like Istanbul), it means that approximately employees stay at home from 7:00 p.m. to 7:00 a.m. on week-days.

The first half of salary of employees of Öztiryakiler is given on the twentieth of the current month, and the second one on the fifth of next

month. Furthermore, the employees receive a bonus three times a year (in April, August and December), which is equal to the net salary of each employee. Apart from the bonus, the managers in the ED could receive an additional premium that is given four times a year (in the next month of each quarter). Premiums are determined according to the ratio of sales to goals. If the coefficient of the ratio is equal to 1 or more, then the EAM receives 150 percent and the AEAM 100 percent of his/her salary. The goals are usually predetermined at the beginning of each year and are two times higher than the sales of the previous one. For example, if sales in 2004 are 2 million dollars, then the goal of 2005 is 4 million dollars (the goal of a quarter of 2005 is 1 million dollars). 100 percent premiums to EAMs and AEAMs will be given in 2005, if sales are equal to 4 million dollars (1 million dollars for a quarter) or higher.

Finally, the orientation activities in the ED are poor, and it is difficult to learn about its procedures for new managers. Its atmosphere is distressed and inflexible: The managers (except for EM), who spent approximately three years in the ED, leave the company. Consequently, the main discussion question of the ED becomes: What should be done to motivate non-family members in a family owned company?

Below you can see a schedule (Table 3) and two diagrams (Figure 3 and Figure 4) of the export sales of the company and their increases between 1997 and 2004 years.

TABLE 3. EXPORT SALES OF ÖZTİRYAKİLER AND THEIR INCREASES, 1997-2004

	1997	1998	1999	2000	2001	2002	2003	2004
Export Sales(in millions, USD)	6,75	8,35	10,51	10,85	11,83	13,88	19,62	22,78
Increases (%)	-	24%	26%	3%	9%	17%	41%	16%

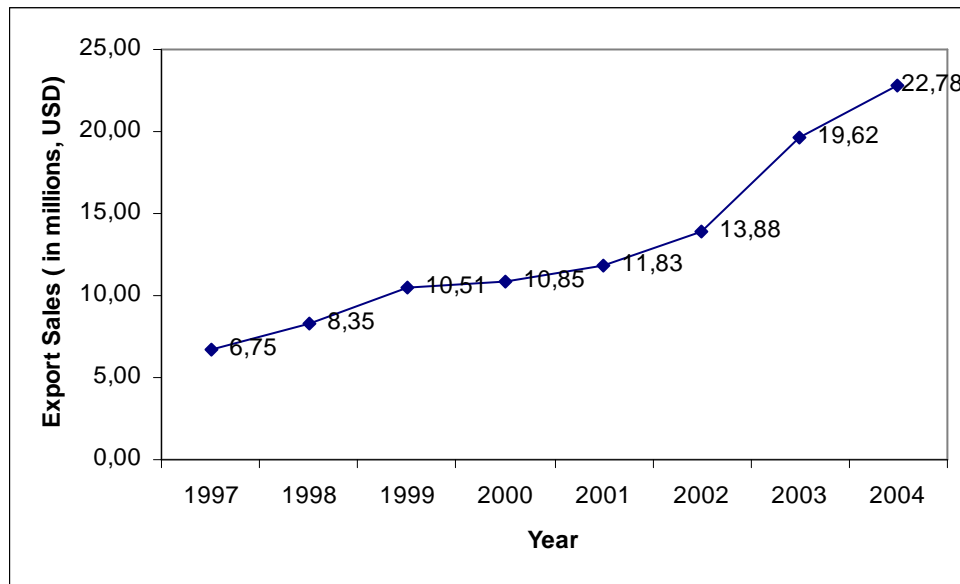


FIGURE 3. EXPORT SALES OF ÖZTİRYAKİLER, 1997-2004

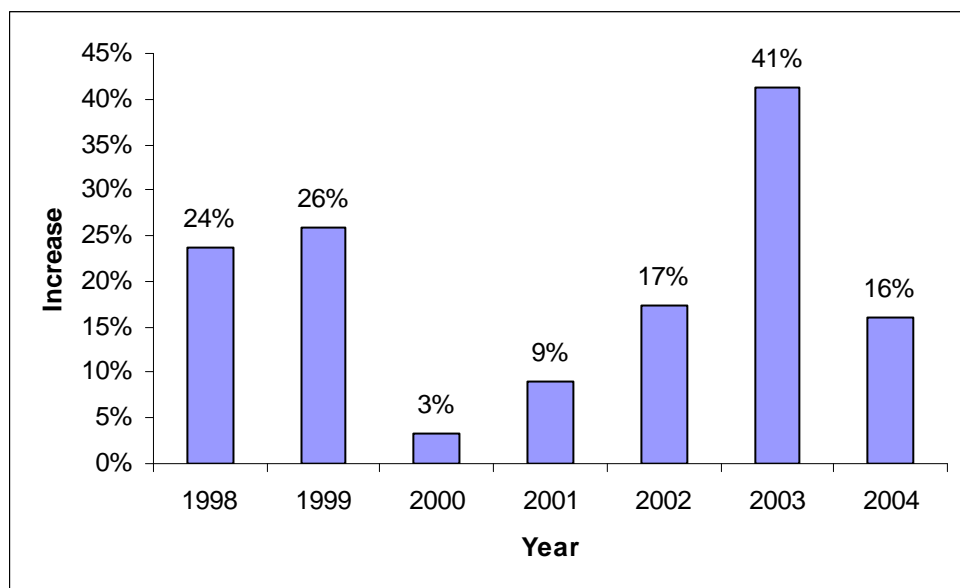


FIGURE 4. THE INCREASES OF THE EXPORT SALES OF ÖZTİRYAKİLER, 1998-2004

CHAPTER 3

INTERACTIVE PLANNING IN ACTION

The previous chapter has outlined us the description of Öztiryakiler and the case study of its ED. The current chapter will be focused on an application of IP at the ED of the company.

It was mentioned before that IP, with its operating principles (the participative principle, the principle of continuity, and the holistic principle), has six interrelated phases: formulating the mess—sensing and making sense of the situation, ends planning—where to go, means planning—how to get there, resource planning—what is needed to get there, design of implementation—doing it, and design of control—learning (Ackoff, 1999a). Our study, as a student/researcher, will investigate the application of IP at the ED in terms of its four phases, what are formulating the mess, ends planning, means planning, and resource planning.

We have also been acquainted with two changed conceptions of the world and of the corporation those simultaneously bring forth IP. The first conception develops complementarity between the System-Age and Machine-Age to achieve knowledge and understanding of things. The second conception considers today's corporations as social systems serving the purposes of three layers: themselves (control problem), their parts (humanization problem), and the wider systems of which they are parts (environmentalization problem). According to the second conception, the ED

should be treated as a social system. Parts of the social system are the managers of the ED, and the wider systems of the social system are the company (i.e. Öztiryakiler) and its environment. The idealized design could help the ED to deal perfectly with the purposes of these three layers.

The treating of the ED as the social system should satisfies the following five conditions:

- The defining property of the ED is to sell the goods abroad.
- Any manager within ED can affect its defining property.
- Each manager is necessary but insufficient for carrying out the defining function of the ED. The managers of the ED are its essential parts.
- Any manager of the ED depends on at least one other manager of it. There are direct or indirect interactions among them. Suppose that an EAM has just returned from an exhibition. He or she has concluded a few contracts with new customers, where the point in question is a selling the goods with high amounts. If his/her AEAM does not undertake his/her tasks, the proforma-invoices would not be prepared. Nonexistence of the proforma-invoices means lack of offers to the customers, and there would be nothing to confirm for the customers. This may result in decreasing the sales of the ED.
- The dividing the responsibilities of managers of the ED will cause to lose its essential properties or functions. The ED is a system. It is

produced by the interactions of its managers, not their sum. The ED sells the goods, not the AEAMs, EAMs, or EM.

3.1. Formulating the Mess

From the beginning, the problems must be stated in order to be dissolved. We will identify a set of interrelated problems at the end of this phase.

The business field of Öztiryakiler—as a group of companies—is mainly focused on manufacturing, supplying, importing, and—finally—putting more than 3500 kinds of industrial and home kitchen products, and turnkey projects on the local and abroad markets. Öztiryakiler, being one of the largest companies in its business field under 'Ozti' brand, is the leading company in Turkey, and Inoksan is the strongest local competitor of it. More than 80 countries are supplied with the products of Öztiryakiler, and its targeted customers are, shortly, public catering companies. The common characteristics of the company's products are quality, resistance, durability, hygiene, healthiness, and safety. The products of the company were certified in Europe, USA, Russia, Turkey, Croatia, Romania, Ukraine, Poland, and the Netherlands.

The studying of current ratios, quick (acid-test) ratios, and debt ratios of Öztiryakiler (Table 4) for 2003 and 2004 years has identified that these ratios are in general agreement with conditions of the developing countries like Turkey.

TABLE 4. CURRENT, QUICK, AND DEBT RATIOS OF ÖZTİRYAKİLER FOR 2003 AND 2004 YEARS

	<u>2003</u>	<u>2004</u>	<u>method of computation</u>	<u>2003 (USD)</u>	<u>2004 (USD)</u>
<i>Current Ratio</i>	1,48	1,55	<u>Current Assets</u>	<u>18.062.363</u>	<u>27.665.218</u>
			Current Liabilities	12.238.319	17.899.367
<i>Quick Ratio (Acid-test)</i>	0,94	0,88	<u>Current Assets-Inventory</u>	<u>11.478.722</u>	<u>15.824.424</u>
			Current Liabilities	12.238.319	17.899.367
<i>Debt Ratio</i>	0,63	0,58	<u>Total Liabilities</u>	<u>15.755.677</u>	<u>26.701.670</u>
			Total Assets	24.838.279	45.905.659

Current ratio and quick ratio measure short-term liquidity, a company's capability to meet the needs for cash as they arise. Quick ratio measures it more rigorously, by eliminating inventory. The company's proportion of all assets that are financed with the debt is evaluated with debt ratio (Fraser, 1995). According to Gücenme (1996), a Turkish company is referred as reasonably sufficient if its current ratio is 1.5, quick ratio is 1, and debt ratio is a little more than 0.6. Öztiryakiler meet current ratio and debt ratio, and it could meet quick ratio by converting some of its inventories into cash or into more liquid assets.

There are some departments in Öztiryakiler, and our study is directly concentrated on the ED of the company. The EM, 9 EAMs and 10 AEAMs, and the operational unit are responsible for the activities in the ED. The EAMs give report to the EM about their state of affairs. The managers of the ED use their knowledge of the products to achieve high results in doing the business with the customers.

Öztiryakiler makes it clear that the international and domestic exhibitions are played the most important role in promoting the products, and tenacious efforts are spent toward it (25 exhibitions a year). The company rewards the EAM or the AEAM, which participates in the exhibition, with additional fee of \$30 or €30 per day. It is a fact that some undone work in the office is accumulated during the business trip of the managers.

All managers in the ED do speak Turkish. The EM, the EAMs, and some of the AEAMs know English, as the basic foreign language used in the international business. Also Russian, German, English, French, Arabic, or Chinese languages are used by some EAMs and AEAMs. It is obvious that the rest of the departments suffer from the manager shortages who know foreign languages.

Market groups are segmented by the language skills of the EAMs. The EAM of Germany segment has to know the German language. The same state of affairs is seen in other segments: The EAM of Russia segment must speak the Russian; the EAM of French segment is capable of knowing the French; a full knowledge of English is required for the position of the EAM of the USA or England; etc. It is regarded as a plus, if any AEAM knows the language of the relevant segment. The knowing elementary knowledge of English by the AEAMs in order to follow and understand the procedure of the ED is a minimum requirement of the Management.

The customer profile of Öztiryakiler is divided into institutionalised companies (like Metro Cash and Carry), some companies with managers who

know Turkish language, and other companies. Metro, according to the Fortune's annual ranking of the World's largest corporations ranked forty second in the world with a revenue of 70,159.3 million dollars and a profit of 1,028.6 million dollars (www.fortune.com).

New customers have an opportunity to see some (the most of) Manufacturing Departments live. This allows both for the customers to make sure of the company's products and for the company to have a great success in persuading the customers.

The ratified price policy of the company for different segments is regarded with the same interest. However, the company allows the highest discount rates only to Oztiinox, its established joint-venture in Moscow.

Any order which—in terms of the amount—is less than €5,000 is not accepted by Öztiryakiler. The additional discount (one to ten percent) is given by the company to the orders with amounts of €30,000 or higher.

The EAM and/or the AEAM studies received customer order, and then the AEAM prepares the proforma-invoice and sends it to the customer for his/her confirmation. The production is started only after receiving the written confirmation of the proforma-invoice from the customer, and the packing list is sent to the customer seven days before the shipment date.

Each order's average lead time is four weeks, and it is changeable for the merchandise from the local and abroad markets. Sometimes, the company receives frequent orders with low quantity from post-Soviet countries' customers that are in urgent need of immediately loading (within one or two

days). However, there is a brisk seasonal demand for the products of the company in the second and the fourth quarters.

The way of using of introduced software is definitely known by each AEAM. AEAMs know and are responsible for the procedures like preparing the proforma-invoice, giving essential instructions to the relevant departments, printing final invoices, etc. He or she, if necessary, posts the final documents to the customers.

The exercising supervision and coordination of the settling the inquiry of the special products and the customer complaints is the responsibility of the EAM. Sometimes the EAM gives to the AEAM this work to do.

The working hours are between 8:00 a.m. and 6:00 p.m. and the managers of the ED stay at home from 7:00 p.m. to 7:00 a.m. on working days, and they rest on Saturdays and Sundays.

The constraints on the organization's development will be listed in a specific sequence below.

The first constraint, an all-important question, which fixes our eye, is concerned with the institutionalizing the company. The institutionalization, As Ateş (2005) stated, is among the most important issues that family businesses should consider. The poor institutionalization of the company may be one of the most important reasons of leaving it by the managers.

Planning for succession, institutionalization and integrating strategies for good decision making are among the most important issues that family businesses need to consider for their survival and all require change (Ateş, 2005:207).

102 family businesses, from 8 cities and different regions of Turkey, were engaged in a research. Findings of the research have outlined that the Turkish family businesses are aware of the importance of change for continuity. Nevertheless, necessary strategies for change are hardly implemented by them (Ateş, 2005).

Öztiryakiler is a family business of Turkey and above mentioned issues are closely concerned with it. The top level Management is occupied by the members of the family (remember Figure 2) with close relative relations: the Chairman of the Board is at the top, his brother—the Managing Director—is one level lower, and his daughter—the EM—is in charge of the ED. There are four levels between the Chairman of the Board and the AEAM. The Chairman of the Board is at the top, which is assisted by the Managing Director and the CEO. The EM, who is in charge of the ED, is one level lower than the Managing Director and the CEO. The EAMs' level is between the levels of EM and the AEAMs.

The company's hierarchy is in the following order:

1. The Chairman of the Board (the owner)
2. The Managing Director (the owner) and the CEO
3. The Export Manager—the EM (the owner)
4. The Export Area Managers—the EAMs

5. The Assistant Export Area Managers—the AEAMs

Everyone would like to make a professional career. The company's organization structure does not allow the managers to enter the career within the company—one another reason of leaving the company by the managers. The AEAM can become the EAM, but the EAM cannot become the EM, because the EM is one of the owners of the company.

The second constraint is about the packing lists. As a rule, they should be sent to the customers seven days before the shipment, nevertheless they are sent lately. Some customers, especially customers from post-Soviet countries who need the goods very urgently, are extremely dissatisfied with the delay in sending the packing lists. This leads a very uncomfortable situation to occur, if some imported products or products from the local market are available among the ordered items.

It is obvious that in this case the EAM (or the AEAM) will do nothing in order to negotiate the shipment details (gross and net weights, and volume) with the customers, until he or she receives the relevant packing lists from the Logistics Department. The customers naturally start arranging shipment formalities after receiving the packing lists. They transfer the total sum (or the rest of the total sum) of the goods into the Exporter's bank account, and negotiate with the forwarder shipment details of a scheduled loading. The loading formalities take approximately a week or more, that means additional holding costs for the Exporter. Let us suppose that an AEAM gives the confirmed order to the Manufacturing Department on the fifteenth of April

(the order's terms of payment: advance). The time of shipment is four weeks later, on the thirteenth of May. The packing list of the order should be sent to the customer on the sixth of May, otherwise the possibility of loading the goods on time will be lowered. The customer, as usual, will receive the packing list on the tenth or on the eleventh of May. He or she will not probably have time to arrange the shipment and transfer the total sum two or three days later. The forwarder must be informed of the loading a week before (on the sixth of May, in our case). Highly unlikely, that the customer will receive a confirmation from the forwarder of available vehicle (container, truck, etc.), to ship the goods on the thirteenth of May. This will lead to delay in the loading, and consequently, additional holding costs for the Exporter. Furthermore, if the forwarder arranges the vehicle, but the total sum of the goods will not be received by the company, the delay will be occurred again (as the company does not deliver the goods on credit terms), and the customer, of course, will be dissatisfied.

The third constraint goes into problems on the prices and the manufacturing costs of the products of the company. The EAMs and the AEAMs know the discount rates that are given by the EM, but they have incomplete information about all the prices of its abroad and local competitors, and about the manufacturing costs of the goods of the company.

A lack of information about the manufacturing costs and the prices of competing products would not allow the EAMs to have great confidence

during their negotiations with customers. They would consult the EM before making any decisions, and thus the EM, the owner, would always take the final decisions anyhow; this process could take some time. Customers usually examine the goods in the shortest possible time. "Time is money!" say businessmen, and the company might lose its customers, if they are under time constraint.

There is a poor coordination between the Export and the Project Departments, and this causes the loss of some important international public tenders. This is the fourth constraint on the organization's development.

The gaining of the international public tenders of some projects needs careful and simultaneous analysis of the data by both the ED and the Project Department. Suppose that the Ministry of Foreign Affairs (Russia) has made an urgent request (at CIF-prices) for the kitchen equipment to be used in its dining room, in Moscow. The ED and the Project Department should take simultaneous and interdependent actions at this stage. If the Project Department, independent of the ED, computes and offers the total CIF-price of the kitchen equipment (let us say that the gross weight is 7,000 kg, and its volume is 60 cubic metres) as \$80,000 (including insurance and freight charges of the goods to Moscow as \$5,500), by not taking into account certificates of conformity to the Russian Federation (—GOST), there could be inevitable negative consequences. In the absence of the certificate of conformity of any product, the Ministry could reject the offer, and send the goods back to Turkey. The ED could remove the obstacle by advising to get

a single license for the relevant product. The ED also could not offer the total CIF-price independently, because the assembling costs are computed by the Project Department. The two departments should not operate independently of each other.

The fifth constraint looks at the sales and the after sales materials of the company. The quality of the company's products is high, but the sales materials (especially catalogues that were translated from Turkish into foreign languages) and the after sales materials are in great need of an additional due attention and contribution. For example, catalogues could bring bad impression about the company, if:

- Some prototypes without any footnotes are displayed in catalogues like the manufactured products—if any prototype would be ordered by a customer (the customer could not know that the ordered item was a prototype), the company could not meet the customer expectation, because the prototype is not manufactured and sold; the customer would probably be dissatisfied;
- Some products that are not manufactured anymore are still displayed in the catalogues—and again, if a customer would order such products, the company could not satisfy his/her needs.

A few modifications to the original design of the products would immediately require necessary changes in their manual users, technical drawings, etc. Customers prefer to operate the products with appropriate documents to the modified products with inappropriate ones.

The next two constraints are derived from the used software and communication system by telephone. Microsoft Axapta is new software of Öztiryakiler. The software has a lot of advantages, but it is not completely approved by the EAMs and the Logistics Department.

Axapta is not useful in drawing up the annual, semi-annual, and quarter-annual reports. A combination of these reports could give the ED its progress report. The ED's situational analysis could not be extracted without data of the progress report that would bring about inappropriate predictions. That is to say, means would be selected with reference to the uncertain ends. The company also could not define the necessary resources.

The Öztiryakiler Company sells more than 3500 kinds of industrial and home kitchen products, and it might be very important for it to know the quantities of each product that are sold annually. Such information is usually included in the reports. The Management of the company, with reference to the reports, has to revise some products, which were in limited demand during the previous year, in terms of price, quality, design, etc., or it has to stop manufacturing of these products. But it cannot do it, because the new software does not facilitate the EAMs in preparing the reports.

A marked change is made in the communication by telephone. The Management of the company, pursuing to decrease the operating expenses by lowering phone expenses, decided to phone up using services of the Internet in 2005. The managers in the ED are become very disturbed by the new inconvenient system.

Companies with corporate culture express polite interest in telephone conversations. Some of the high standards of these telephone conversations, according to Arkhangelskaya (2004), are:

- to speak to customers at a well-defined pace: 120-150 words a minute;
- to control volume and tone of voice, and to speak grammatically;
- to listen carefully in order to understand from the first;
- to note and repeat major information;
- to finish the conversation with a brief resume: what is going to be done?

It is obvious that most of the above mentioned standards could not be achieved with the new communication system, where additional one or two second(s) is/are necessary to hear the voices of both the managers and customers.

Afterwards, there is a complicated constraint about the revenues of the managers. The qualifications of the EAM are higher than those of the AEAM, and he/she takes more significant decisions than the AEAM. Their works are integrated, and their duties and responsibilities are dependent on each other. The AEAM receives two salaries less, than the EAM, if the sales goals are achieved (although they are too high). The EAMs and the AEAMs receive salaries (twelve times a year), bonuses (three times a year), and they may receive premiums (four times a year, if the sales goals are achieved). Taking into account that the sales goals are achieved, the AEAM annually receives

the total amount that is equal to his/her nineteen net salaries (twelve salaries, plus three bonuses, and plus four premiums), although the EAM's annual salary is equal to his/her twenty one net salaries (twelve salaries, plus three bonuses, and plus six premiums; six premiums are equal to four salaries multiply by one point five). The AEAMs may probably be very disturbed and have a poor motivation by such regulation and it is more than enough to have negative influence on them.

Most likely that the EAM's salary is two times higher anyhow, than the salary of the AEAM. Suppose that the EAM receives 2,000 USD and the AEAM 1,000 USD monthly salary. 2,000 USD of the EAM's salary multiply by twenty-one will be equal to 42,000 USD annually, while the AEAM's annual salary is equal to 19,000 USD (1,000 USD multiply by nineteen).

Moreover, if a customer bought a gas range this year, it would be irrational to expect an order of the identical two gas ranges from the same customer next year. The products of the company are durable, and customers buy them to use, at least, during five years, while the managers' goals are usually two times higher than the sales of the previous year. However, the company's manufactured goods carry mostly the characteristics of industrial products, which are used to produce other goods or services, and not the characteristics of the consumer goods that are used by ultimate consumer (Graf *et al.*, 1990).

The premiums' basis of the ED should be revised: it is not sufficient to encourage the managers. If the managers of the ED sell in 2005 the

products of the company two times higher than the sales of the previous year, the EAMs will receive 21 and AEAMs 19 salaries annually at the most. The same revenues will be received by the managers in any case, if the sales goals are achieved. For example, if the sales in 2005 are three or four times higher than the sales of the previous year, again, the EAMs receive 21 and the AEAMs 19 salaries. Simultaneously, a quite appropriate question is derived: why the managers should work more if they are not paid according to their made efforts? They probably will not double their efforts, even if there are potential customers to whom they can easily sell the goods of the company.

The last and the obvious constraint deals with ED's current state. The ED carries out nearly the same duties and jobs as the tasks of the Sales Department, and it is in distress because of its inflexible system with poor motivation and orientation activities that does not provide the managers (except for EM) to work for the company as long as possible. That is to say, the EAMs or the AEAMs leave the company approximately after three years. Apart from this, the mission statement of Öztiryakiler includes nothing that may encourage its employees. Something is fundamentally wrong with the policies of the company.

3.2. Ends Planning

The ED, the Logistics, the Manufacturing, and other departments should plan simultaneously and interdependently in order to reach an idealized

design. As it was previously stated, we cannot predict everything in advance, and two types of constraints are considered to ensure the process of ID: Being technologically feasible and being operationally viable. Interactivists deal with development of organizations, not growth or survival.

It would be helpful for Öztiryakiler to engage external consultants within company, who could assist all of the participants to design a desirable future and inventing ways of bringing it about. Professional planners do not plan for others; they simply help others to plan for themselves (Ackoff, 1981).

First of all, the mission statement of the company should be revised. It embraces a little that may encourage its employees and is more oriented on the customers of the company. The employees of the company could be encouraged by inserting amendments into its mission statement in the following way:

"Meeting with all expectations of our customers at maximum level, providing with continuous welfare to the society and environment, and sustaining quality, service, and efficient performance of tasks by providing employees with meaningful work and development opportunities."

The second, the desired properties of ID should be specified. This could be done by meeting expectations of three layers what are parts of the system, the system itself, and the wider system or suprasystem of the system: the managers of the ED, the ED itself, and the Öztiryakiler Company.

The managers expect to change the sales goals policy in their favor. The ED would like to increase its export sales as much as possible. Öztiryakiler

could reach its expectation by increasing its total market share. The common expectation of these three layers is to remove the disturbing state of the ED.

The expectations of suppliers, wholesalers, retailers, and customers of the company (as essential parts of a company's environment) could also be indirectly met through achievement the expectations of the three layers.

In the last, designing the system, obtainable ways of all the specified properties of ID are accomplished. The company must involve as many employees as it can: 9 EAMs, 10 AEAMs, and the EM, the staff of the Logistics and the Manufacturing Departments, employees of other departments, and of course, the Chairman of the Board, the Managing Director, and the CEO. This step is the most difficult step of IP, but it is the most important one, because it is the *process* of planning. The higher will be the percent of the participation in the planning process, the better view of the situation will be formed, and the most appropriate design could be designed.

The contents of one of the most convenient final designs for the company could be like "the more work, the more satisfaction!"

A system of "Planning Boards" may make extraordinary contributions in achieving the final design. The system was preferred by the Great Atlantic and Pacific Tea Company in Philadelphia, and became the fastest-growing and most profitable chain in the area (Ackoff, 1994b). It was also introduced by the White House Communications Agency (Jacques, 1999), and many others.

The planning boards or a circular organization is a democratic hierarchy. It enables the participation of all employees in the planning. All levels of the company have their boards that are responsible for horizontal and vertical interactions. Interactions with others at the same level of the company are called horizontal. Vertical interactions are occurred in interactions with others who are at the different levels of the company. Managers (other than those at the two top and two bottom levels of the hierarchy) of a circular organization interact directly with five levels of management. The contributions of the circular organization depend on how much autonomy (decentralization) is given to the organizational units involved (Ackoff, 1994b).

In conclusion, this idealized design (after realizing all above mentioned issues) would be one of the most appropriate for Öztiryakiler, which will help the company to achieve its objectives, goals, and ideals. The ID gives stakeholders of the company great pleasure to replace the existing system with today, if they were free to do so. Now let us concentrate on means planning and resource planning phases.

3.3. Means Planning

The first thing to do with the ED is expanding the tasks of it by exceeding its authorities. The managers of the ED must be involved in taking strategic decisions about marketing mix (product, price, place, and promotion) and market research. By doing so (-a job enrichment), the company may help the

managers in the ED think and act like an intrapreneur. Furthermore, the ED's duties will exceed the duties of the Sales Department.

After the job enrichment, Öztiryakiler should provide and maintain the business education of its managers, and more attention should be given to the cooperative and interactive learning. The company should also improve its orientation activities. All managers of the ED must also be well grounded in products (3500 kinds of industrial and home kitchen products), costs of manufacturing goods, procedures of the company, and prices of competitors (it is important to know what competitive products are sold for), since an active selling is mostly based on a good knowledge of the goods and the procedures.

The second thing is about segmentation strategy of the company. Öztiryakiler virtually deals with some companies, whose managers know the Turkish language, but market groups are segmented by the language skills of the EAMs. It is a fact that all managers in the ED speak Turkish. Consequently, any EAM with his/her AEAM may deal with these companies. Thus the company may reallocate some customers in order to balance out the pressures of the current works of the managers in the ED. For example, if the EAM, who deals with issues in Russia, is responsible for twenty five customers and three of his/her customers know the Turkish, while the EAM of the USA has only 15 customers, the company may pass these three customers to the EAM of the USA.

After this, those managers of the ED who has a lot of business trips should be equipped with notebooks with Internet access. This will let the managers receive and reply customers' e-mails at anytime and carry out their other significant tasks during the business trips, and the problems with undone work in the office will be ended.

The managers probably know the importance of the customers for the company. They most likely become aware of the most important rule in business reading as follows: The customer is always right! The company may cooperate its managers on the realizing again the running a business with customers like the running a business with partners. This is the third thing that must be done by the company in means planning.

It is common knowledge that foreign languages are important for foreign-trade activity. It is not mentioned in the case study, but most likely the company has arranged the system through which the managers of the company should pass the foreign language examinations before being hired. This system with its minimum requirements is very important for any company dealing with foreign customers.

The next three things of means planning deal with shortage between the ED and the project department, sales and after sales materials, and the new software of the company.

A manager with engineering education or background and knowledge of the English should be employed in the ED. The manager may strengthen the coordination and communication activities between the Export and the

Project Departments. He or she may also help the EAMs to clarify customer complaints and special orders.

The sales and the after sales materials should periodically be revised. The period must be defined taking into account modifications and innovations being made by the company. It cannot be allowed to participate in exhibitions of 2005 with catalogues of 2004 year, if significant quantitative and qualitative changes were made in the manufactured products from 2004 to 2005. The catalogues have to look good because they help the customers view the products. Öztiryakiler must prepare new catalogues once a year.

A significant innovation will be introduced by the company if it reorients on Internet marketing more effectively. It will provide the company low costs of advertising and a rapid access to the information about company's products.

Microsoft Axapta is not completely approved by the EAMs and the Logistics Department. The new software should carefully be studied and learned again by the Export and the Logistics Departments, nevertheless, the software publisher is Microsoft, and it must meet most of all expectations of the company. There may probably be some other problems, like insufficient studying and learning the software by the managers in the ED, or lack of personnel in the Logistics Department, and only then the company must decide to use or not to use the software.

Also, the managers in the ED are very disturbed by the new installed telephone system. Talking on the telephone is a part of the managers' job in

the ED and it plays a significant role in doing business with customers. Poor communication means misunderstandings between the managers and the customers, and it may even harm and then break off good business relations with customers. So, a detailed study of the new telephone system should be done. The rational company policy should be to maintain the current customers (consequently a market share) using qualitative communication rather than to save money on low-quality communication and to lose its customers.

Afterwards, the company must evaluate achievable ways with delays in sending the packing lists to the customers. We may see on the company's sales diagram (Figure 3) that its sales are increased year by year. This means that company's products are in increased demand, although the customers receive the packing lists very late. If the customer knows a total volume and a gross weight of his order, when he/she confirms it, the possibility of loading the goods on time will be high. He/she may inform the forwarder and transfer the total amount of the goods at anytime before the shipment date. The ED should work more closely with the Logistics Department, because the ED sells the items that Logistics Department prepares. A rigid system must be established, in which preparing a packing list immediately within one or two days after the customer confirmation of the proforma-invoice (it will be better to prepare the packing list simultaneously with the proforma-invoice) will be realized. The Management of the company may offer some rewards to the staff of the Logistics

Department for their contributions in increasing the speed of the preparing packing lists. Furthermore, the additional holding costs for the Exporter will not be occurred. The rigid system must stipulate that nothing will change in the packing lists before shipments in order to satisfy the customer expectations and hold (or increase) the demand for the company's products. This system should be approved by the Board of Directors, and the Management of the company should require accuracy from the responsible managers and the staff to perform the system procedures perfectly.

Öztiryakiler, as wholesaler, should not accept the orders of customers from post-Soviet countries, if an order's total amount is less than €5,000. Moreover, the company should not ship them within one or two days. The managers in the ED do the same basic amount of work if they sell one item or a thousand items to a customer. The loading of 3 orders (with amount of €30,000) should be preferred to the loading of 30 orders (with amount of €3,000). The company has to expect received orders to be large enough to cover the costs of all the work to be done.

Finally, an inequality between the quantities of total annual salaries of the EAMs and the AEAMs should be removed, in order to increase motivation of the AEAMs. Simultaneously, a needed change should be brought about the predetermined sales goals. If the Management of the company has to increase the sales goals, the rational increase should be done, for example, by taking an average of the increases of the Sales of the last three or four years, that will be equal to increase the sales goals by twenty five or twenty

one percent (and not by a hundred percent). But such policy would not encourage the managers as much as possible.

The Management of the company makes a mistake if it assumes that the managers in the ED will work harder due to the given high quotas. It is a fact that the managers become discouraged, if they are given too high quotas. More effective sales goals' policy could be set by taking into account that the retaining a success in any business field is also a success, and by investing in the most valuable resources of the company. The most valuable resources of the company are its employees (people).

An idea of the Management to get the managers worked as hard as they could derived from giving the sales goals (-quotas) that are equal to the sales of the previous year. Quantities of premiums given to the EAMs and the AEAMs should be four, assuming that each premium is equal to the salary of a relevant manager. For example, if the sales of 2005 are equal to the sales of 2004 (\$22.780.000), then each of the managers receives four premiums: EAM \$8.000 and AEAM \$4.000, annually. So, the total amount given to the managers of the ED will be equal to \$532.000:

$$9 \text{ EAMs} * \$2000 * (12 \text{ salaries} + 3 \text{ bonuses} + 4 \text{ premiums}) = \$342.000$$

$$10 \text{ AEAMs} * \$1000 * (12 \text{ salaries} + 3 \text{ bonuses} + 4 \text{ premiums}) = \$190.000$$

$$\$342.000 + \$190.000 = \$532.000$$

And total salaries amount to the export sales will be equal to 2.34 percent: $\$532.000 / \$22.780.000 = 0,0234$

If the managers of the ED sold 200 percent (\$45.560.000) of their sales goals for the year (that means they have sold 100 percent more than the company's given sales goals), it would be better to double their premiums to increase their motivation and loyalty. Thus, if the sales goals of 2005 are equal to \$45.560.000 (\$22.780.000*2), then each manager of the ED receives eight premiums: EAM \$16.000 and AEAM \$8.000, annually. And the total amount given to the managers will be equal to \$644.000:

$$9 \text{ EAMs} * \$2000 * (12 \text{ salaries} + 3 \text{ bonuses} + 8 \text{ premiums}) = \$414.000$$

$$10 \text{ AEAMs} * \$1000 * (12 \text{ salaries} + 3 \text{ bonuses} + 8 \text{ premiums}) = \$230.000$$

$$\$414.000 + \$230.000 = \$644.000$$

And total salaries amount to the export sales will be equal to 1.41 percent: $\$644.000 / \$45.560.000 = 0,0141$

The reader has probably observed that the rate of the total salaries amount to the export sales decreases from 2.34 to 1.41. The rate continues to drop if the company will prefer implementing the policy further. If the sales in 2005 are three times higher (\$68.340.000) than the sales of the previous year, the company increases premiums of the managers three times: EAM \$24.000 and AEAM \$12.000, annually. The rate of the total salaries amount to the export sales decreases again to 1.11 percent.

Table 5 and Figure 5 clarify us the relation between the export sales and the total salary amount paid to the managers of the ED.

TABLE 5. THE RATE OF THE TOTAL SALARIES TO THE EXPORT SALES

Total Salaries Amount (A)	Export Sales (B)	Rate (A/B)
\$532.000	\$22.780.000	0,0234
\$644.000	\$45.560.000	0,0141
\$756.000	\$68.340.000	0,0111
\$868.000	\$91.120.000	0,0095
\$980.000	\$113.900.000	0,0086
\$1.092.000	\$136.680.000	0,0080
\$1.204.000	\$159.460.000	0,0076
\$1.316.000	\$182.240.000	0,0072

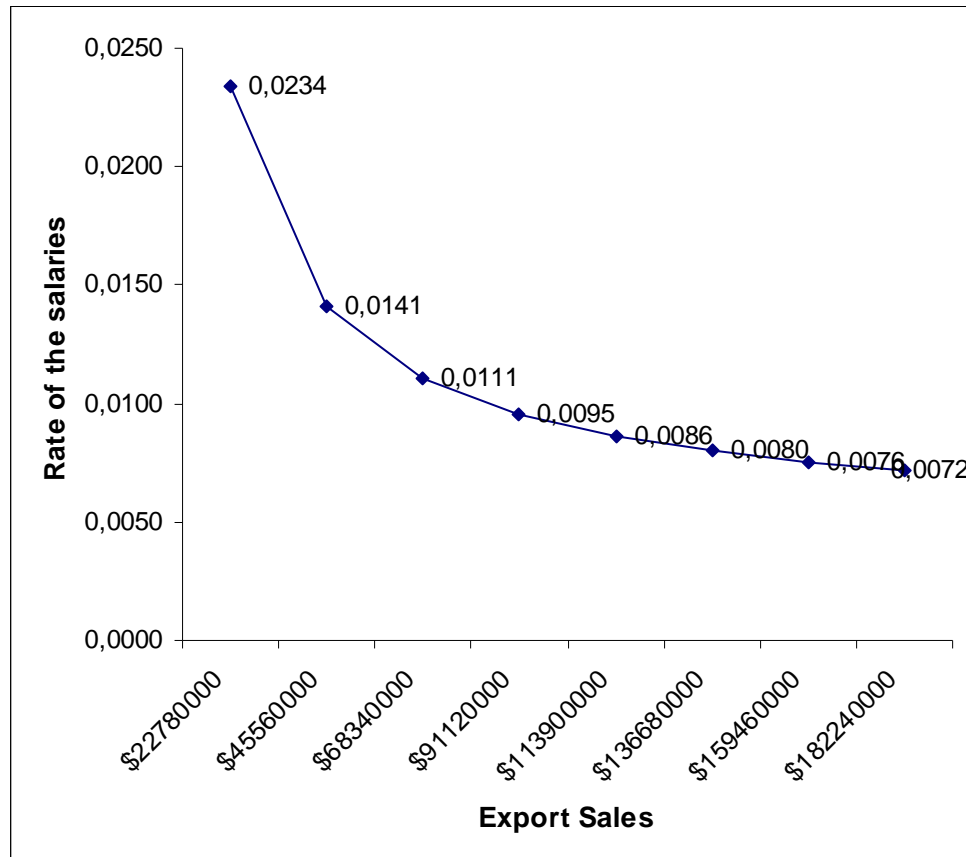


FIGURE 5. THE CURVE OF THE TOTAL SALARIES TO THE EXPORT SALES

There is not a guarantee that the company's export sales could increase two or three times next year. So why the company should prefer a changed

premium policy and pay premiums to the managers, even if there would not be a remarkable increase in the export sales?

The case study has identified us that the managers of the ED have been working for the company approximately three years. Then, they simply leave the company. The changed policy most likely could prolong the time spent by the managers working for the company. The managers would probably continue to gain experience in industrial kitchen equipment sphere and they would become more and more useful for the company. If they did not increase the export sales in 2005, they would probably increase them in 2006 using their experience gained in 2005. The rate, of the total salaries amount to the export sales, decreases due to the changed premium policy.

The company could also use some alternative ways of prolonging the managers' time working for the company. It could stimulate them by an offer to share in the company's profits or overtime payments.

We should not forget that hiring inexperienced managers means expecting some faults that could be made by them. The mistakes would be made at Öztiryakiler. Apart from expecting the errors, the company should also consider that the new managers' performance would not be high during the first three or four months, or more. This means that sales volumes during this period could be decreased.

3.4. Resource Planning

The substructure of the ED is well-enough: each manager has a PC, internet and intranet access, a telephone (for the local and abroad calls), etc. and there are also two fax machines in the ED. There is a little opportunity that the company would be in need of extra money in the short term, because an average value of a shipment is more than \$15.000. The money could be used in employee training activities, buying notebooks for the managers who have a lot of business trips, redeveloping (or changing) Microsoft Axapta, and improving the communication by telephone, hiring a manager in the ED with engineering education or background, and knowledge of the English, etc.

However, if the company would still be in need of extra money for either the short-term or the long-term purposes it could rely on the following options:

- The company could get money by giving the customers a two or three percent extra discount, if the customers pay in a week or ten days after the confirmation of the proforma-invoice. This option is useful if the company needs money very urgently, for example, in ten days.
- All proforma-invoices confirmed (but not paid yet) by the customers are called receivables of the company that means money for these account is still to be paid. Some banks would accept unpaid proforma-invoices as security for loans.

- The company could give share of stock to the managers who want to become its shareholders. It may share 25-30 percent of its stocks.
- Long-term bank loans with low and suitable rate could be preferred among the company's options to finance various business activities.
- The next option, which could stir up a sharp dispute, is to sell off Ekonoma (divestiture)—established enterprise of the company located in Bursa province. Most of the manufactured products by Ekonoma (service trolleys, banquet tables and chairs for hotels) have few characteristics that are in common with industrial kitchen equipment sphere. The option would help the company invest money in its oriented business domain, i.e. industrial kitchen sphere, and become more sensitive to market changes.
- The last option that the company could introduce is to issue its stocks at the stock market. This option could improve the institutionalization of the company.

CHAPTER 4

CONCLUSION

Organizations characteristically have different supporting functions like manufacturing, sales, finance, accounting etc. with different objectives, goals, authorities, and responsibilities. The main problem in such suborientation is to form a system through which all these units will be integrated to achieve the overall goals and objectives. Meanwhile, interrelated purposes of these organizations ought to be balancing its relations with environment, and found internal balance and stability (Smirnov, 2002). In this case, organizations' preferred solution is a classical approach called strategic planning—the formulating of long term goals and objectives, 3 to 5 years or longer, and selecting strategies to achieve them in an environment with high rate of risk and uncertainty (Naylor, 1980).

One of the true strengths of IP is being able to account for not only the ongoing changes being experienced during the change process, but also have these changes are affecting the outside environment, and vice versa (Leemann, 2002:91).

Another strength of IP is concerned with a clear perception of our society that the present and the future problems could not be solved with the methods of the past. Universally recognized values like discipline, obedience, hierarchy, achievement, career, adequacy, authority, and centralization are excluded in increasing frequency. They are replaced by self-determination, participation, collective, orientation to the needs, disclosure of personality,

creation, ability to make a compromise, and decentralization (Ruttinger, 1989). The top managers of any company should give the new recognized values, which are strongly required and encouraged by IP, in order to achieve much success in their business life in the 21st century.

According to Ackoff (1974), the decentralized planning is suited for those corporations, which immediately like to react to the market changes and take advantage of opportunities created by these changes. The circular organization is much the best way, which could help to achieve the decentralization.

The corporate managers misinformed, incorrectly instructed, and misperceive the fundamental changes in their environments. They are outputs of a defective educational system. More than 90 percent of what they use on the job they learn on the job (Allio, 2003). Suppose that a CEO of a manufacturing company with a high rate of turnover has recourse to management scientists, describing them the situation, where the company's profits have been decreasing for the last 2 quarters of its accounting period. It would be a big mistake advising some solutions only with reference to the point of view of the CEO. It does not mean that these management scientists should not trust the CEO and should not take into account his point of view, but they should draw their great attention to the fact that the problem situation of the company should be studied widely by considering thoughts of other managers and workers (the participative principle of IP). The management scientists do not make decisions instead of all of the

participants of a company; on the contrary they assist participants of a company, as Ackoff (1970) stated, in designing a desirable future and inventing ways of bringing it about.

Formulation of a right problem situation—formulating the mess—is a crucial step in IP, and the successful problem solving requires finding a right solution of it. Further, the ability to manage our affairs depends more on our understanding of the world that contains us, than on our problem-solving methods, and the reason of failures could be observed as a result of empty efforts to find a solution by solving the wrong problem (Ackoff, 1974).

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