

## Management Issues in Turkey

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### Introduction

In multinational country-cluster organisations, Turkey is sometimes within Eastern Europe, sometimes within Middle East & Africa, and sometimes in "Others". With EU negotiations on track multinationals are increasingly viewing Turkey as a future EU country and are grouping Turkey together with Central and Eastern Europe. It was this trend that encouraged Pedersen & Partners to open its Istanbul office in September 2004.

Regional HR Managers/Business Managers who might be based in Prague, Warsaw, Vienna, Budapest or other locations might now face the challenge of dealing with this exciting country. In some ways these managers are well prepared due to similarities of Turkey to Central and Eastern Europe (CEE):

- Legislation is changing and gradually moving towards EU standards.
- Turkey is an emerging market – a manager's ability to lead during change is a must.
- Like in most CEE countries, the economy is doing well and business is expanding.

There are also large differences from CEE:

- Turkey is bigger than most CEE countries combined
- No communist past, resulting in different market situation and pool/cost of managers
- Culture and religion

Below we have focused on the differences and market realities that CEE HR Managers and Business Managers face when their region is expanded to include Turkey.

### Turkey is Large

Turkey has 70 Million inhabitants. Anyone looking at the geographic size, strategic location and mere size of the population of Turkey would assume that the country would be homogeneously developed by economic, cultural and other factors. Such an assumption will lead to quick disappointment, as one starts to see the substantial differences among even the top 5 cities in the country, let alone among the other 80+ “cities/provinces” in the country.

There is an immense concentration of economic activity especially, in Istanbul, which is a city of over 10 million inhabitants, and more than 100 km in distance between its eastern and western city borders. This mega-polis encompasses most of the commercial-trade, retail, and service- capacity in the country.

Obviously, the medium to heavy industry is not in this zone, but conveniently located in the nearby regions such as Gebze, Izmit, Corlu and Bursa. Once one ventures outside of this region, not only does the concentration of activity decrease significantly, but also so the quantity and quality of production and consumption power of the population. Businesses would find it difficult to identify, attract and mobilise both talent and consumption potential in the remainder of the country.

Consequently, a manager who takes a fresh look at the country and assumes a higher availability of talent outside the top 5 cities, or a higher mobility of the workforce, would soon recognise that this is a battle against odds. In general, there is high mobility in the workforce, but it is in the form of a migration to large cities, not vice versa. Accordingly, businesses have to spend considerable resources to develop alternative and/or creative programs to internally encourage workforce mobility to meet the management talent needs of their operations across the country.

## No Communist Past

During the twentieth century, CEE and Turkey had different development paths from political, economic, social, cultural and many other perspectives. Turkey transformed into a new, young and dynamic republic from the Ottoman Empire, but the starting point was low. Turkey was barely feeding itself and did not have the resources to undertake many large-scale capital projects. As a result, the level of infrastructure is that of the developed CEE countries.

Turkey has been in the “emerging market” category for over two decades. However, some other “emerging markets” such as the Czech Republic or Poland have already emerged and attained reasonable level of “development”, which allowed them to enjoy a larger influx of direct foreign investment, etc.

Turkey has already been “emerging” for some time now, and yet the development has been rather sporadic. Surely some activities, professions, availability of services, legislation etc. have developed during the past two decades, but the challenge has been in the lack of consistency across the market place. This, combined with the effects of major catastrophic events, such as the first Gulf war ('92), a financial market crisis ('94), followed by the earthquake ('99), yet another economic crisis ('01), has had a significant impact on the country's economy.

It does not require an economist's experience to see the cyclical nature of such an economy. This would be yet another challenge for HR and business leaders, who are newly exposed to the Turkish market. The challenge is performance management in such cyclical markets. Those who are in leading positions to influence the performance of a business would ride these cycles, and the total business performance would

always be over or under-impacted by those cycles. The HR leaders would then have to develop methods, tools and practices to be able to analyse the root causes of the over/under performance and not to underestimate the impact of external factors on an individual's performance.

## Availability of Good Local Management

Compared to the CEE countries, Turkey has a larger pool of qualified managers. The country has been used to an open market economy for many years; quite a few Turkish managers have gained education and experience abroad. Also, the competitive situation, as well as the structural challenges of the market, has provided ample experience to local managers.

Contrary to the CEE countries, even the pre-1989 experience is useful and managers in their 40s, 50s and 60s should also be considered for senior level management positions.

As a slight minus, the number of 100% owned foreign companies which invest in developing their local talent is lower than in CEE. Many "international firms" are in reality joint ventures with local firms, and in-house management development programmes are unfortunately not always aligned with those in the rest of the world.

Despite the availability of good local management, there is a high number of expatriates in Turkey when compared with the CEE average. We believe this is due to the large size of the Turkish market, which makes some multinationals choose to send managers with a proven "in-company" track record to lead this important market.

## Cost of Management

Management salaries in Turkey (largely in Istanbul) are higher than in most CEE Countries. Even without a formal salary survey, the reality of the market is that top managers in Istanbul are paid roughly the same as in Moscow, and more than in other CEE markets.

From a Turkish perspective, salaries in general are not high. Following the most recent economic crisis in Turkey ('01), most businesses had to eliminate major cost drivers from business. Among such initiatives, elimination of the highest payroll items was also widely practiced. As a result, considerable amount of experienced senior and middle managers were made redundant as part of a series of reorganisation steps. In time, these vacancies were re-staffed by younger, cheaper and less experienced management talent. Currently, the economy is showing relative strength compared to the lowest points following the crisis, and management compensation levels are growing again.

## Culture & Religion

From a cultural point of view, Turkish managers tend to be strong individualists; this means they aren't always natural team players. Efforts to promote Western style teambuilding may work well during trainings; however, they often may not suit the realities of local culture and do not translate easily into daily practice.

Another distinguishing factor is that 95% of the Turkish population is Muslim. Despite this, Turkey is a secular country. No one can be forced to participate in religious ceremonies. Turkey is the only Islamic country, which has included secularism in its Constitution and really practices it.

A manager overseeing Turkey needs to keep religion in mind. Take for instance the religious holidays - there are basically two important Islamic religious periods. One is to celebrate the end of the fast during Ramadan, the "Ramadan Holiday"; the second one is Sacrifice Holiday, to celebrate the Biblical and Koranic account of Abraham's near-sacrifice of his son Isaac on Mount Moriah. Both of these holidays are celebrated over 4-5 days, which combined with weekends would mean two breaks 5 to 9 days long. This creates both a disruption to business as well as to commercial opportunities. One can use these to tailor events/products/promotions, which would be relevant during these festivities; or they can be used to help create additional incentives for the workforce by sponsoring their holiday trips etc. One should not underestimate, however, the potential downside to the business, should no precautions be taken.

Another closely related issue is the entire Ramadan period per se. During month of daytime fasting, one should be cautious not to offend locals. For example, most restaurants and cafes would be open in major cities. One may see Muslim Turks as well as Turks with other religious beliefs be eating in public places during this period, but it would be overly offensive should a person eat ice cream while walking on a busy street.

Another issue, more humorous, a foreigner would be exposed to is the Monday morning chitchat about the weekend's football games. It is a must for most men (in recent years, many women also started to enjoy this phenomena, more social than a sports related) in Turkey to re-cap the events of the weekend's games. It is hard to work against such habits and eliminate them - should a manager attempt to stop such activities, be they face-to-face, over the phone or via email, it would guarantee his or her unpopularity in a record time.

To summarise, managers who are responsible for Turkey should be more careful and sensitive than when managing other CEE countries. One should be proactive and ask local colleagues about cultural and religious issues before taking irreversible actions. Being "politically correct" will help "foreign" companies or managers to receive greater acceptance by the Turkish workforce, customers and consumers.

Should you want to discuss management issues in Turkey in more details, please contact Sabit Tapan, Country Manager Turkey, at: [sabit.tapan@pedersenandpartners.com](mailto:sabit.tapan@pedersenandpartners.com)

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