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AN ANALYSIS OF PRE-PRIVATIZATION AND POST-PRIVATIZATION FINANCIAL PERFORMANCE AND ACTIVITIES OF PRIVATIZED CEMENT COMPANIES

Osman KARAMUSTAFA*

Abstract

The main purpose of this paper is to explore changes in pre-privatization financial performance and activities of 24 cement companies. It is found that changes in net period profits and capacity utilization ratios have not been statistically significant, whereas changes in investments and production levels have partially been significant in the pre-privatization and post-privatization periods. We have also found that decrease in the number of employees and increase in productivity levels have been statistically significant in the aforementioned periods.

I. Introduction

Privatization, which may be defined as transferring ownership of state-owned enterprises to the private sector, has been one of the crucial issues in the last 20 years. Economic policies implemented by Reagan and Thatcher administrations in the 1980s popularized privatization and put it firmly on the agenda. These policies, also known as Conservative Capitalism, have been adopted by some developed countries such as France, Germany, Japan, Canada and Australia. Furthermore, under the influence and direction of the World Bank and IMF some developing countries have adopted privatization policies (Aktan, 1994). Privatization has also been on the agenda in Turkey since 1983. The first act regulating legal aspects of privatization was enacted in 1984, according to which persons and companies could buy shares issued by state-owned enterprises and thereby become partners of these enterprises.

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Between 1985 and 2000 public shares in 209 establishments, 21 partially-completed establishments, and 4 electric power-station were included in privatization. Later, public shares in 19 establishments and 4 electric-power station were excluded from privatization. Within this period shares of 155 enterprises were sold and the state did not have any share in 136 establishments. Their value has reached 1.952 trillion TL (7.1 billion \$). Some privatization were realized in fixed term and foreign exchange. As of 18 April 2000, privatization provided 962 trillion (5.2 \$ billion) net income (ÖİB, 2000). Together with profit income and other sources of income, the total sources reached 1.428 trillion TL, 1.340 trillion of which were spent. While 55 percent of the spending were related to credits, severance payments, and pension fund contributions, 31.5 percent were transferred to Public Partnership Fund. With regard to the rest, 10 percent were used for bond and security payments, and 4.1 percent accounted for various spending (such as audit and consultation fees and advertisement expenses), (ÖİB 2000).

Compared to other countries, the share of privatization revenue seems to have decreased in years. The table 4 in the appendix presents privatization revenues of some European Countries between 1990 and 1998. In that period, Turkey's privatization revenue accounted for only 8 percent of the total privatization revenue in Europe, which amounted to 55.131 billion dollar. Hungary has the highest percentage (23 %) of the total privatization revenue in Europe

Privatization in Turkey took off with the sale of 5 cement plants en masse to a French company, Ciment Francais. This paved the way for the entrance of foreign capital into the country.

In the first section of the study, we examine effects of privatization on performance and summarize findings of related research. The second section presents methodology and limitations of the study. The last section includes a general evaluation of the study and suggestions.

II. Privatization-Performance Relationship

Empirical studies that point out that public sector firms are less efficient than private corporations date back to the research conducted by Alchian in 1965 (Shirley and Walsh 2000). Until the 1980s, research concentrated on comparing financial performances of public and private firms in the developed World. From the 1980s onwards, empirical research has been conducted in two different ways. A group of researchers have compared relevant data in pre-privatization and post-privatization periods

(Millward, 1982; Boardman and Vining, 1989; D'Souza and Megginson 1999; Megginson and Netter, 2000). The other group represented by Atkinson and Halvorsen (1986) has compared financial performance of privatized firms with other companies in the same sector. This kind of research was done by Zaim ve Çakmak (1994) in the Turkish cement industry. In this study covering 13 private, 19 public and 5 mixed firms, the researchers found that there was no significant difference between ownership structure of the companies and their efficiency.

Although, the literature generally encompasses studies that demonstrate that privatization leads to increases in efficiency, there are also a considerable body of research pointing to opposite results. For example, in a study of privatized 682 firms, Jain ve Kini (1994) found that sales and investments significantly rose in the post-privatization period, while there was decline in profitability. An interesting feature of privatized firms is the decline in the number of employees. Nonetheless, Andrews and Dowling showed that decrease in the number of employees had no positive effect on financial performance. In this study, changes in top-level management were found to result in performance increases (Andrews and Dowling 1998). There are also studies in the literature suggesting that privatization has a negative impact on financial performance (Fare et al., 1985; Hofer, 1980; Pescatrice and Trapani, 1980).

Some studies claim that there is no significant change in financial performance of privatized firms. Research done by Forsyth and Hooking (1980) in two airlines and Kole and Mulherin (1997) among 17 corporations supported the above claim. Similar results were also found by Caves and Christensen (1980), Foreman-Peck and Manning (1988), Frydman et al., (1998), Boubakri (1998).

Although there are studies which argue that privatization has negative or no impact on financial performance, many empirical works (Hill 1982, Perkins 1983, Pryke 1992, Majumdar 1998, Ros 1999) illustrate that privatized firms have been more successful than other firms in the same sector or have performed better by comparison with the pre-privatization period in terms of performance criteria.

III. Methodology

There are two methods of performance evaluation in relation to privatization. The first method is based on comparing performance criteria of the firms in a certain pre-privatization and post-privatization period. With regard to the second method, it is based on comparing public and private

companies operating in the same markets and subject to similar competitive conditions. This method may, however, prevent us from reaching balanced conclusions because it is extremely difficult to realize synchronization assumption. Thus, in our study, we use the first method.

The research sample consists of financial data of privatized 24 cement companies in the 1985-1999 period. The data were obtained from ISE and Privatization Administration Authority. Basic statistics of the sample (mean, standart deviation and number of companies) are presented in the appendix (see Table 2). The Table 3 in the appendix includes names of the firms, year of privatization and other relevant data.

In order to analyse performance of the firms year of privatization is assigned 0 value. On this basis data belonging to five years before privatization is assigned -5, four years -4, there years -3, two years -2 and one year -1. Similarly data belonging to five years after privatization is assigned 5, four years 4, there years 3, two years 2 and one year 1. T-test is used whether there are statistically significant differences between the periods.

Performance criteria of the firms include production level, capacity utilization rate, number of workers, production Per worker, net investments and net profit/loss. These data were obtained from the Privatization Administration Authority and companies' reports.

IV. Results of the Research

The Table 1 presents whether there are significant differences in performance criteria in the pre-privatization and post-privatization periods. Basic statistics related to production levels of privatized 24 cement firms in the pre-privatization and post-privatization periods are given in the table 2 (see the appendix). The highest production year before privatization was the third year with 392,485 tones, while the corresponding year after privatization was the fourth year with 481,755 tones. The table 1 presents the significance level of increases in production.

Taking production level into consideration, a statistically significant difference has been found between the first year before privatization and the third year after privatization (t:-2.411 SD:21 p<0.05). The table also illustrates the rise in the second year before privatization (t:-2.132 SD: 23 p<0.05) and the first and the third year after privatization (t:-2.818 SD:21 p<0.01). Interestingly rises in production levels become statistically more obvious and significant as the post-privatization periods get longer. The other years in which production increases are statistically significant are the third year before privatization and the first year (t:-2.791 SD:23

p<0.01), the third (t:-2.951 SD:21 p<0.01) and fourth years (t:-2.530 SD:16 p<0.001) after privatization.

There are also differences in the capacity utilization rates of privatized cement firms in terms of years. When we look at the average values included in the study, it can be seen that compared with the years before privatization a fall in the capacity utilization rate is observed in the second year after privatization. This fall is nevertheless not statistically significant.

Table 1: Change in Performances of the Cement Firms in the Pre-Privatization and Post-Privatization Periods^(*)

Years	Production Levels (tonnes)	Capacity Utilization (%)	Number of Workers	Production Per Worker (tonnes)	Investments Amounts (\$)	Net Profit/Loss (million TL)
0 ~ 1	-1.233	-0.184	5.168***	-3.728**	-1.259	-1.080
0 ~ 2	-1.114	-1.447	6.437***	-4.814***	-0.887	-1.088
0 ~ 3	-2.206*	-0.936	6.813***	-4.142***	-0.897	-1.153
0 ~ 4	-1.044	-2.400*	7.064***	-5.496***	-0.040	-1.149
-1 ~ 1	-1.428	-0.291	8.157***	-5.911***	-1.887	-1.007
-1 ~ 2	-1.335	0.614	11.814***	-6.606***	-2.300*	0.020
-1 ~ 3	-2.411*	0.221	14.247***	-9.157***	-2.704*	0.440
-1 ~ 4	-1.605	0.197	17.660***	-10.828***	-1.439	0.638
-2 ~ 1	-2.132*	-1.053	8.711***	-5.217***	-0.895	-0.991
-2 ~ 2	-1.562	-0.030	12.587***	-5.859***	-1.481	0.112
-2 ~ 3	-2.818**	-0.536	15.492***	-8.774***	-2.298*	0.539
-2 ~ 4	-2.071	-0.517	17.095***	-10.771***	-1.279	0.554
-3 ~ 1	-2.791**	-0.850	9.530***	-4.849***	-1.129	-1.029
-3 ~ 2	-1536	0.132	13.322***	-5.297***	-1.723	0.019
-3 ~ 3	-2.951**	-0.151	15.863***	-8.192***	-2.061	0.495
-3 ~ 4	-2.530**	-0.364	16.411***	-9.778***	-1.199	0.524
-4 ~ 1	-3.815***	-2.063	9.311***	-4.398***	0.552	-1.028
-4 ~ 2	-2.256*	-0.929	12.762***	-4.969***	-0.010	0.020
-4 ~ 3	-4.695***	-1.441	14.984***	-7.777***	-0.906	0.465
-4 ~ 4	-3.119**	-1096	15.932***	-9.526***	-1.123	0.511

^(*) Values in the table include significance levels of differences in the periods and the values.

* Significant at the 0.05 level ** Significant at the 0.01 level *** Significant at the 0.001 level

Years in the first column:-5 five years before privatization, -4 four years before privatization, -3 three years before privatization, -2 two years before privatization, -1 one year before privatization, 5 five years after privatization, 4 four years after privatization, 3 three years after privatization, 2 two years after privatization and 1 one year after privatization.

Note: If we analyse variables by taking their logarithms, no important difference is found at the significance level.

Increases in capacity utilization rates in the post-privatization period are statistically insignificant. It is only in the fourth year after privatization that the rise in capacity utilization rate is statistically significant ($t: -2.400$ $SD: 23$ $p < 0.05$).

With regard to changes in the number of workers, decrease in their number is found to be statistically significant (at a significant level of 0.001) in all the post-privatization years. The average number of workers declined from 316 to 164 in the fourth year of privatization (see Table 2 in the appendix). A similar result is also seen in the production level per worker. In the whole period, rises in the production level per worker are found to be statistically significant ($p < 0.001$).

As far as investment in the pre-privatization and post-privatization is concerned, differences in investments the first year before privatization and the second year after privatization are statistically significant ($t: -2.300$ $SD: 22$ $p < 0.05$). In like vein, there are statistically, important differences between the first and the third years before privatization ($t: -2.704$ $SD: 21$ $p < 0.05$) and the second and the third years after privatization ($t: -2.298$ $SD: 21$ $p < 0.05$). In a study of 79 privatized companies in 21 developing countries, it was found that there were statistically significant increases in investment spendings (Boubakri ve Cosset 1998). Our study also partially confirms the findings of the above research.

Many studies have demonstrated that there are statistically rises in profits of privatized firms. For example, in Egypt and in Mexico privatized firms' profits increased 68 percent and 24 percent, respectively (Nellis, 1999). By contrast, our research shows that privatized firms have not increased their profitability, as no significant differences have been found between the pre-privatization and post-privatization periods.

V. Conclusion

We can summarize our findings as follows;

- Decrease in the number of workers in the privatized firms are statistically significant.
- Decrease in the number of workers seems to have caused rises in production level per worker.
- In the eight periods (4 year before privatization and 4 after privatization) differences in the number of worker and production levels per worker are not statistically significant.
- Rises in capacity utilization rates are not statistically significant.
- Similarly there are not statistically significant differences in the prof-

itability levels of firms in the pre-privatization and post-privatization periods.

- There are statistically partially significant rises in investment spending and production levels.

The success of widely-practiced privatization policies hinges upon the economic system of the country, goals of the privatization programme and the way in which privatization is implemented. In the Turkish cement industry, privatization appears to have resulted in performance increases to some extent. This necessitates further research concerning with effects of privatization.

In conclusion, further research should include and analyze more privatized companies in different sectors, changes in top-level management and motivation of employees. In this way, changes in performance of the firms in the aftermath of privatization can be better studied and understood.

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Appendix

Table 2: Basic Statistics of Cement Companies in Pre-Privatization and Post-Privatization Periods^(*)

Years	Production Levels (tonnes)		Capacity Level (%)		Number of Worker		Production of Worker (tonnes)		Investment Amounts (\$)		Net Profit/Loss (million TL)	
	N	Mean	N	Mean	N	Mean	N	Mean	N	Mean	N	Mean
-4	23	317760,73 (114681,46)	24	69,53 (16,38)	24	316 (79)	24	1337,25 (492,44)	24	2509258,58 (5876980,75)	24	6747,95 (110576,58)
-3	17	392485,47 (135335,70)	24	75,95 (16,89)	24	312 (75)	24	1228,54 (512,77)	24	1266104,45 (1607022,80)	24	-357,79 (40076,03)
-2	24	359753,29 (143087,71)	24	75,33 (13,89)	24	308 (73)	24	1204,66 (598,36)	24	1248049,87 (1772022,22)	24	-4388,16 (27812,54)
-1	22	380649,72 (148897,52)	24	79,16 (15,67)	24	295 (72)	24	1061,25 (481,72)	24	763703,62 (1010434,48)	24	-6146,29 (22074,82)
0	23	387929,82 (156099,16)	24	79,66 (19,89)	24	251 (79)	24	1630,58 (574,51)	24	2588893,62 (6978163,47)	24	82472,33 (362456,30)
1	24	407400,70 (174542,72)	24	80,62 (25,83)	24	213 (80)	24	2090,45 (1124,89)	24	1809294,04 (2369449,93)	24	107493,62 (529155,75)
2	23	473408,43 (360106,09)	23	76,26 (29,36)	23	182 (62)	23	2332,82 (1300,99)	23	2629282,95 (3858162,79)	23	-4460,91 (220207,96)
3	22	433556,72 (177930,04)	22	80,18 (26,55)	22	165 (46)	22	2738,68 (1166,80)	22	4714710,63 (7370876,68)	22	-39262,40 (356111,91)
4	17	481755,70 (195489,17)	17	81,58 (32,31)	18	164 (32)	18	2925,88 (946,90)	17	5997546,47 (15146831,54)	17	-89815,11 (737331,08)

(*) Years in the first column: -5 five years before privatization, -4 four years before privatization, -3 three years before privatization, -2 two years before privatization, -1 one year before privatization, 0 five years after privatization, 1 one year after privatization, 2 two years after privatization, 3 three years after privatization, 4 four years after privatization, 5 five years after privatization. N values in the table shows the number of firms investigated in the analysis period. Values in the parenthesis denotes standard deviations.

Table 3: Privatized Cement Companies, Year of Privatization and Activity Period

Number	Company Name (*)	Year of Privatization (*)	Activity Period included in the Research
1	Adıyaman Çimento Sanayi ve Ticaret A.Ş.	1995	1991 - 1999
2	Afyon Çimento Sanayi ve Ticaret A.Ş.	1989	1985 - 1993
3	Ankara Çimento Sanayi ve Ticaret A.Ş.	1989	1985 - 1993
4	Aşkale Çimento Sanayi ve Ticaret A.Ş.	1993	1989 - 1997
5	Balıkesir Çimento Sanayi ve Ticaret A.Ş.	1989	1985 - 1993
6	Bartın Çimento Sanayi ve Ticaret A.Ş.	1993	1989 - 1997
7	Çorum Çimento Sanayi ve Ticaret A.Ş.	1992	1988 - 1996
8	Denizli Çimento Sanayi ve Ticaret A.Ş.	1992	1988 - 1996
9	Elazığ Çimento Sanayi ve Ticaret A.Ş.	1996	1992 - 1999
10	Ergani Çimento Sanayi ve Ticaret A.Ş.	1997	1993 - 1999
11	Gaziantep Çimento Sanayi ve Ticaret A.Ş.	1992	1988 - 1996
12	Gümüşhane Çimento Sanayi ve Ticaret A.Ş.	1996	1992 - 1999
13	İskenderun Çimento Sanayi ve Ticaret A.Ş.	1992	1988 - 1996
14	Kars Çimento Sanayi ve Ticaret A.Ş.	1996	1992 - 1999
15	Kurtalan Çimento Sanayi ve Ticaret A.Ş.	1998	1994 - 1999
16	Ladik Çimento Sanayi ve Ticaret A.Ş.	1993	1989 - 1997
17	Lalapaşa Çimento Sanayi ve Ticaret A.Ş.	1996	1992 - 1999
18	Niğde Çimento Sanayi ve Ticaret A.Ş.	1992	1988 - 1996
19	Pınarhisar (Trakya) Çimento Sanayi ve Ticaret A.Ş.	1989	1985 - 1993
20	Sivas Çimento Sanayi ve Ticaret A.Ş.	1992	1988 - 1996
21	Şanlıurfa Çimento Sanayi ve Ticaret A.Ş.	1993	1989 - 1997
22	Söke Çimento Sanayi ve Ticaret A.Ş.	1989	1985 - 1993
23	Trabzon Çimento Sanayi ve Ticaret A.Ş.	1992	1988 - 1996
24	Van Çimento Sanayi ve Ticaret A.Ş.	1996	1992 - 1999

(*)Source: T.C. Başbakanlık Özelleştirme İdaresi Başkanlığı Basın ve Halkla İlişkiler Daire Başkanlığı, "Türkiye'de Özelleştirme", 9 Ağustos 2000.

Table 4: Privatization Revenues of Some European Countries 1990-1998 (millions of U.S. dollars)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	Total
Bulgaria	-	-	-	45	147	111	48	525	569	1445
Czech Republic	-	-	-	645	7	1645	-	72	181	2549
Hungary	483	798	779	1685	1507	3988	945	2139	342	12666
Poland	62	338	240	733	641	980	605	2246	2436	8281
Russian Federation	-	35	88	110	-	1002	1192	4177	909	7513
Turkey	437	212	780	483	354	572	297	465	1016	4617
Other	280	1168	1739	287	1303	1444	2379	6913	2550	18060
Total	1262	2551	3626	3988	3957	9742	5466	19337	8002	55131

Source: World Bank Privatization Database.

BUSINESS ETHICS AND A RESEARCH FOR ETHICS CULTURES OF THE COMPANIES TRADED ON THE ISTANBUL STOCK EXCHANGE

Ali HALICI*

Abstract

The aim of the study is to determine the ethics cultures of the companies traded on the Istanbul Stock Exchange (ISE). Therefore, content analysis with quantitative methods were applied to official and written documents of 192 companies. Consequently, statements were determined for 36 different subjects. Among these, 'high quality production' is the most, 'supplier satisfaction' and 'union relations' are the least frequently mentioned subjects. Also 'human resources' is the most, 'environmental issues' are the least examined subjects within the business functions. Research results show that companies mainly have behavioral ethics cultures. Also, they intimately follow the modern approaches in marketing ethics.

I. Introduction

The theoreticians have specially discussed ethics for about 2500 years. During this period, many different approaches can be seen about what is good and right or what is bad and wrong.

Business ethics is, something, which includes the practicing of ethics in working world that we face with everyday. At the same time, in the last recent years it had become one of the subjects often discussed about in the world and in our country. It is such that the people, who are interested about it on England and America, become a sector and it is seen among the fastest developing sectors. Today you can face with such institutes and organizations, which are only working on business ethics. Business ethics

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is taught as a lesson in many universities and its rules are mentioned in companies.

There are two reasons for the increasing interest to business ethics. Firstly, working life is increasingly shaped by the science and technology and law systems lacking behind. The second one is, because of people's interior worlds coming to forward in the years of 2000. Because when knowledge increases, the problems become more subjective. For this reason, needs for improving special humans' or groups' moral awareness levels came forward. First step to provide this is to define the current situation now. For this reasons, it is practiced on the companies traded on the ISE which are most affected from Turkey's daily life conditions, where the capital is distributed to base and where Turkey's leading firms exist. The practice is in general towards companies' related areas and their scopes within the limitations of business ethics.

By this way, ethical cultures of the firms, which are traded on the ISE, are discovered. Although companies can create their own philosophy or criteria; these would be compared with other companies. Also consumers and investors would have more information about the subject.

II. Conceptual Analysis of Ethics and Business Ethics

2.1. The Word of Ethics' Etymological History and its Use in Turkish.

The term 'ethics', originates from the Greek word 'ethos' which meant habits and cultural aspects and today it is used with the same roof in many different languages (Shea, 1988; Solomon, 1984; Keklik, 1987).

For example in German 'ethik', in French 'ethique', in English 'ethics', in Latin's 'ethike' and in Greek 'ethika' like. The base word 'ethos' before all means, being a good human in character.

Together with this, the term 'ethos' in foreign literature brings out the quality of the whole society (Solomon, 1984). In Turkish the 'ethos' word's meaning is cultural aspects and habits (Sinanoğlu and Türkkkan, 1979). Against this, in Turkish, the term 'ethics' is used, both in scientific literature and in daily life use as the same word. But especially in some dictionaries and encyclopedias the term 'ethics' is used with several Turkish words.

In Turkish Language Association's "Turkish Dictionary"; 'ethics' is explained as "science of culture" and "science of behavior" (Türk Dil Kurumu, 1988). Next to this, in Orhan Hançerlioğlu's philosophical ency-

yclopedia, no explanation is given for the word etik or etika (Hançerlioğlu, 1977) and the users are diverted to word 'science of culture' (Hançerlioğlu, 1977). In philosophers dictionary the word 'ethics' do not even take place and only has its explanations in front of science of culture word (Hançerlioğlu, 1993). With its English way of writing, the word 'ethics' in international resources is explained as the philosophy that works on morals (The Cambridge Dictionary of Philosophy, 1997; The Oxford Companion to Philosophy, 1997). With this meaning 'ethics' is in the same meaning with the Turkish world moral philosophy (Ana Britannica Genel Kültür Ansiklopedisi, 1997). The philosopher who works on this subject is usually called as the moral philosophers. Because someone who studies on moral, its aspects on moral problems and features, is doing ethics or moral philosophy (Tepe, 1992). In this respect, in philosophy, the term "moral philosophy" is used instead of ethics and when the word is used as an idiom, it is appropriate to use the term as ethics.

2.2. Contemporary Definition of Ethics and Business Ethics

Is ethics the philosophy of morals, what ethics is or what it must be is discussible. There is no single explanation and approach, which everybody agrees. Because, the field itself is a discussible philosophical problem (Encyclopedia of Philosophy, 1967). So, the discussion of the definition of the term firstly has to be done under the philosophic literature.

From very rare philosophical dictionaries in Turkey, the detailed interpretation of the ethics is given in Bedia Akarsu's dictionary as (Akarsu, 1988):

"Scientific Moral. Moral Philosophy. The science searching the essence and the foundations of those being moral, the philosophy branch analyzing the problems with moral behaviors about the life of human in personality and in society. It is the branch of the philosophy analyzing problems such as "What is good?" or "What should we do?"

In another dictionary definition the ethics is interpreted as "the branch" (Ana Britannica, 1997) of the philosophy analyzing the values behind the relationship between humans, the significance of good or bad, right or wrong out of morals.

In Webster's' 3rd new International dictionary, the ethics is explained as below (Websters' Third New International Dictionary, 1993):

- 1- It is the discipline, which considers what is good and bad, or right and wrong, or moral duties and responsibilities.
- 2- It is a set of moral values or principles.

- The system of moral values or theories
- It is the principles, which divert one's, or a jobs behavior or behavioral standards of it.

3- It is the ideal character presented by an individual or a group.

So ethics includes the philosophical approaches on moral principles that humans are expected to follow. These approaches state both the discipline explaining the reliability of the moral values and the causalities and the principles of behavior and the subjects of the same discipline covering physical values (Solomon, 1984).

Business ethics is a part of practical ethics. So, explanations about ethics in its practice in companies give us information about business ethics. Business ethics is used with the same meaning as business morals. As mentioned before, in the relation between ethics and moral, moral is calling human behavior subject. On the other hand, ethics puts forward the dimension of the moral theory. Therefore, the evaluation behavioral principles or their codes in the business field are explained in terms of ethics more professionally.

In the light of all the explanations about ethics, it is possible to analyze as business ethics. Laura Nash explains the ethics as the analysis of the individual moral norms under trade facilities and purposes (Nash, 1990). However, William Shaw explains ethics as the study of the fact considering good or bad and right or wrong behaviors of human (Shaw, 1991).

According to another approach business ethics is a behavior guide in the business world's moral principles and standards (Ferrell and Fraedrich, 1994). In the same way Win Hoffman and O. M. Moore says that business ethics is something, which works on what is good and right (Hoffman and Moore, 1990).

There are more explanations that could be found about the subject. However, generally, the moral rules, which show the right and wrong or good and bad, are related with the subject. Taking reference from this point, the explanation can be made as business ethics: "Business ethics is moral values and standards which individuals or organizations take into consideration in their trade relations."

III. Business Ethics' Increasing Importance in Companies

Companies are groups of people who are working together for a particular purpose. The first aim in the companies is to make profit. Next to these, there are some companies, which are not aiming profit, even if it is making a profit or not. There are facilities involved in all products and ser-

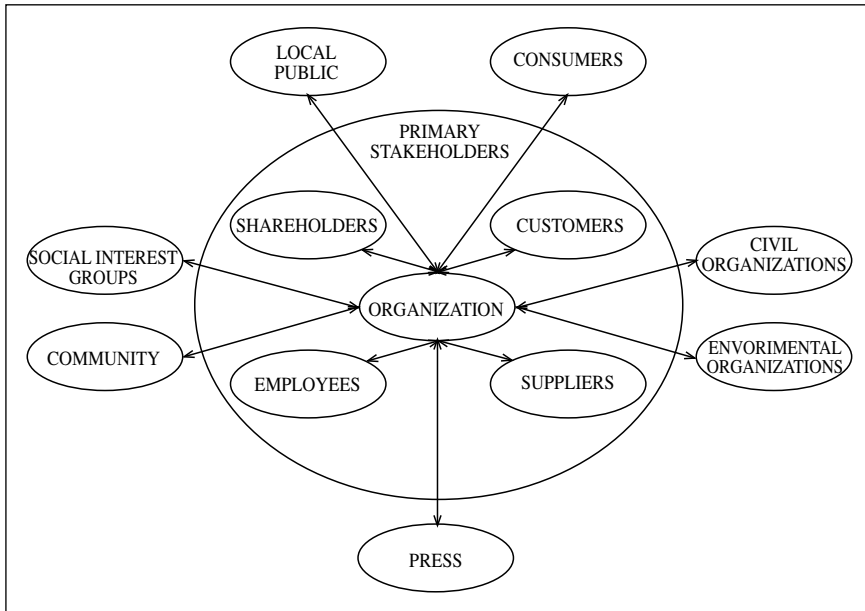
vices. As a result, there is a narrow or wide environment, which is effected from it. All the people or the groups who benefit from company facilities are called interest groups. As can be seen from the Figure 1, the interest groups can be categorized in two parts; as first and second degree interest groups (Lewis, 1995).

The first-degree interest groups consist of the people who invest money on the company or the shareholders, people who govern the companies, the customers and the suppliers. The second interest groups consist of the social groups, consumers, environmental groups, local citizens and general public.

Every company that acts in the same environment has three common goals regardless of their own, private aims. These are (Can, Tuncer and Ayhan, 1998); a- Gaining Profit b- Providing social benefit (utility) and c- continuity

Nowadays, although the aim for social benefit is discussed in a very broad sense, it is assumed in the general aims of the companies. In recent years, under the social utility framework, it does not only consist of consumption and utility arising from the production of goods and services serving to their demand, distributing them to the required places and pricing them according to the purchasing power so that consumers will be able to buy (Halıcı, 1997).

In the long run, this approach takes care of the consumers' and the societies' prosperity in relation with the "social responsibilities" of the company. By doing so the company has to develop measures to protect the peoples' benefits as their general purposes (Halıcı, 1997). The survival for companies depends on realizing this understanding. Especially in modern societies, companies having high moral standards are something that what today companies are asking for (Schermerhorn, 1996). On the other side, the high level of moral standards needs to be questioned much more in the developing societies.

Figure 1: Interest Groups of the Firms

Source: Pamela S. Lewis, Stephan H. Goodman and Patricia M. Fandt, *Management Challenges in the 21st. Century*, West Publishing Com., St. Paul, 1995.

The reasons behind the increasing importance and the development of the business ethics can be listed as (Lozano, 1996):

- The increasing national and international power of the companies
- Increase in the societies' pressure towards some activities
- Increase in the importance of management power within the firms
- The other groups becoming aware of their share over the company activities
- The increasing need of the organizations to re-regulate themselves.

Of course, in today's dynamic business world, the moral values are not the only thing for the companies to be able to survive.

Together with this (Kasimoğlu, 1995), globalization, competition, efficiency, complexity, trustworthiness, modernity, and quality terms must be taken into consideration. So the company's efficiency and effectiveness will increase. According to the company purposes and aims, they implement the facilities in different areas and in different functions.

The companies show differences in their way of production, sale, products or the way they serve. In contrast; some business functions have

global identity and they stand for all the companies. These can be classified as follows (Can, Tuncer and Ayhan, 1998): administration, marketing, finance, accounting, protecting of the environment, research and development.

Above functions can be categorized in different ways in business literature. But, in many cases the general foundations of management function have the characteristics of covering all the other functions like production, marketing, finance or financing, staff or human resources and accounting. In addition to these functions, which are generally accepted, the importance of the subject of "protecting the environment" could also be taken into attention.

To be able to understand ethics subjects, it is important to analyze the interest groups and business functions that are brought up by these concepts (Ferrell and Fraedrich, 1994). The ethics subjects are evaluated according to the interest groups and their scopes in business functions. Therefore, the classical business functions take place as management, production, marketing, finance, human resources, accounting and protection of the environment. The management function takes place at the end because of its characteristics of covering and controlling other functions.

IV. The Aim, Methodology and Data

4.1. The Aim and Content of the Research

In relations with this, the use of ethics term is used more often in recent years in the business world and in other areas of our country. Through the end of 1998 the use of the ethics term has increased in the mentioned news as can be seen in the newspaper researches (GARİLDİ) in communication, anthology and in analyses during the years of 1997 and 1998 (garildi.com.tr, 1999). The 'ethics' term is used in 296 news in 1997 and 1998. 10% of these news belong to 1997 and 90% to the year 1998. Next to these when the term ethics is analyzed in literature, there are no findings which show the use of ethics term or the areas where it is used. In order to support the importance of this research, firstly the kind of news according to their contents are shown on Table 1. Ethics has been previously used in the areas of medicine, politics and business world/economy.

In the same way, 42 news are found about the term "ethics" in word search of the Hürriyet newspaper (hurriyet.com.tr, 1999), and as a distribution of their subjects, 11 were related to politics and arts, 8 for medi-

Table 1: Distribution of News Including the Term "Ethics"

News Types	Frequency of News	(%)
Medicine	87	29.5
Economics / Business	47	15.9
Politics	44	14.8
Publishing	35	11.8
Magazines	31	10.5
Other	52	17.5
Total	296	100.0

cine, 4 for media and business world. Also 6 other news are found about the environment and other fields.

In general, when the news about business ethics and economy are evaluated within the context of the use of the term of ethics, they can be seen in the sequence of politics and business world relations (ex. privatization, elections etc.), and in the capital markets and the employees' rights. 'Degeneration' or 'Putrefaction' words are used to express the situation not having an ethical code. The legal regulations that are made by the rulers of the countries to create and protect peace in the social and economic life are not enough. Because, firstly there is no way to be able to explain every action by the laws. Secondly, the rapid developments in every field are always ahead of the laws and rules, and most of the time, precautions taken against these facts are insufficient (garildi.birnumara.com.tr, 1999).

Therefore the companies and their administrations did not adequately explain the importance of ethics, which has been evaluated for 2500 years. The interest to the business ethics, which is a field of implementation for the companies, has been limited. It has to be mentioned clearly that frequent use of the ethics term and their intention in this direction in statements of the managers do not possess an ethical result. The important thing is to reflect these statements to the action. But methods, which are used in analyzing the ethical sides of actions, do not always come up with the same conclusion.

When business ethics is taken into account from the ethics theories, reaching a simple and global approach is almost impossible. By doing so, the objective evaluation of whether it is ethical or not within the framework of company's activities or the actions of managers and employees is

very hard. In addition to this, there is a business ethics system where every company creates its form of business ethics in the course of time (Soydemir, 1998). This system can only be evaluated by specific theory or theories. In these evaluations, the possibility of people's subjective approach and company or managers approach on cultural ethics should not be forgotten.

Because of the above reasons that are mentioned, in the researches on business ethics, firstly an ethnographic output is needed. So the research will include an ethnographic study. Moving from this point, the research is made on the official and written documents presented by the companies for the external environment and other companies in the context of ethics. In this field, the general researches are targeted to the contents about the ethical principles. A research made by Robert Chatov (Chatov, 1980) determined which statements are used for which fields, by applying the content analysis in ethic principles of the companies. In the same way D. Cressey and C. A. Moore (Cressey and Moore, 1983) had found the managerial values and business codes of ethics and their content according to the interest groups. C. Mathews (Mathews, 1987) carried out content analysis to Codes of Ethics and found out the relation between ethical contents and behavior. B. Stevens (Stevens, 1992) on the other hand, did a content analyses on ethical codes of hotel managers to find out what explanations had been made in which field.

The main aim in this research is to understand the ethics culture of companies traded on the ISE. Next to these, the structural characteristics of the companies are correlated with the determination of the fields that the firms made statements in their interpretations. By doing so, the differences and similarities on the methodologies of the companies on explaining ethics would be seen, an order should be given according to the importance and discussions could be made about the reasons. To serve these aims, the following steps are applied:

To identify the content of the field of ethical statements included in the official and written documents of companies and to explain them

- Classifying the contents of the ethical statements which are identified and explain them by giving them a code
- Put the classified subject in an order of importance
- To analyze the relation between the contents and company's structural characteristics.

As it is mentioned in the above research, companies' written and official documents are taken into consideration. These characteristics will

show the company's level in ethics so that it will be easier by the interior or the external environment to question the subjects about which the companies have provided statements. Doubtlessly it will contribute to one of the important features of 'trust' in developing countries in time of globalization.

4.2. Research Field and Methodology

Another area in which reliability and business ethics are important is the capital market - where it is ranked second in the business world according to the research. Capital Market Law No: 2499 states the aims and contents pertaining to capital markets. Accordingly, one must gain trust, because the people will make investment as much as they trust the market. By this way, their savings will be diverted efficiently to the economic development (Soydemir, 1998).

In addition to legal regulations on capital markets, companies will need to create their ethics principles. The use of ethics principles will help to improve the relations between company-savings, company-society and manager-employee.

Ethnographical analysis is applied as a qualified approach in order to identify and evaluate the ethics principles of the companies traded on the ISE.

4.2.1. Information About Research Population

When the research was carried out on January 14, 1999; there were 278 firms traded on the ISE. So the sampling in the research is composed of official and written documents of 278 companies (ISE Review, 1999) traded on the ISE.

To be able to gain reliability in the research, a total counting method was aimed to reach all the 278 companies. In other words it was aimed to reach all the official documents of all firms.

Table 2 shows the sectoral distribution of 278 companies, which trade on the ISE. (Milliyet Gazetesi, 1999).

Table 2: Sectoral Distribution of the Firms Traded on the ISE

Sectors	Number of firms Traded on the ISE	Sectors	Number of firms Traded on the ISE
Banking	15	Energy	4
Leasing - Factoring	11	Automotive / by Product Industry	12
Holding Company	15	Electrical Machines	6
Investment	21	Durable Consumption Goods	9
Real Estate	4	Iron-Steel-Metals	9
Broker Institutions	1	Other than Iron-steel	4
Insurance	7	Cement	15
Food and Drink	23	Glass and Glass Products	4
Furniture and Flooring Industry	2	Ceramic and Porcelain	4
Weaving Industry	36	Plastic Products	4
Brewery	5	Metal Goods and Machinery	3
Paper and Paper Products	8	Rubber Products	2
Painting Industry	5	Petrol and Petroleum Products	5
Air Transportation	3	Publishing Industry	6
Tourism	5	Drugs Industry	2
Supermarkets	5	Dung-Agriculture Industry	4
Retail Trade	4	Other Sectors	9
Construction Resources	6	TOTAL	278

Source: Milliyet Newspaper, 5 July 1999.

4.2.2. Data Collection

A study was carried out on 16 companies to find out about the mentioned documents and how to reach them. Out of this, the following have been accepted as official documents in the context of ethics principles:

- a- Mission and vision explanations
- b- Business values
- c- Ethics principles
- d- The legal explanations made by the general manager or the chairman of the board of directors

Companies evaluate the mission and vision sentences as the most important thing in business ethics. Because these sentences, at first has the analysis for the employees' values and the differences in organizational

behavior. Secondly, the relations are collected under naming the new value systems' symbol and carrying out the strategies. Lastly, it provides discussion of the organizational decisions among its suppliers and comparison of the decisions with high-level targets (Campbell and Yeung, 1991). Ethics also takes place among the 8 management initiatives in the 1997 business ethics research of KPMG (www.kpmg.ca/ethics, 1997).

Annual reports are accepted as official explanations. These reports include financial information and messages of general managers and they are legally enforced to be published because these annual reports are considered as the companies' main document which they publish and distribute to the outside environment.

To be able to collect those documents, interviews with the companies has been preferred. These interviews were made by phone because of the reason that the companies are spread on a very large geographical area as well as financial/time limitations. These interviews were carried out by telephone between April 01, 1999 and July 15, 1999. They are implemented to increase the ability to reach and to get more reliable information during the week and between the hours 10.00-12.00 and 14.00-16.00. During the telephone interviews, firstly the communication department is contacted by considering that it has knowledge about the relevant documents and that they know the right address for information. But in cases where no communication department existed, contacts were made with human resources or staff administrators. If a responsible person was not contacted in these departments, contact was made with one of the persons from administration departments. The aim was to reach the right document in the shortest time possible.

The people who were contacted by phone according to their titles are: 108 directors of the communication departments, 48 directors of human resources departments, 8 vice general managers, 5 accounting managers, 2 general managers, 2 administrative coordinators, 2 managers of education, 1 district manager, 1 company manager, 1 securities director (equity and bonds) and 20 unknown people.

For the managers whose titles are given in the Table, they were asked for personal explanations and whether they had the documents named above. If they had, they were asked to send them to the provided address.

Table 3: Profession of Managers Contacted by Phone

PROFESSION	Manager Number	(%)
Public Relations Manager	108	54.5
Human Resources Manager	48	24.2
Vice President	8	4.0
Other	34	17.3
TOTAL	198	100.0

Some of the companies accepted to send documents whereas some of them wanted a written application. The written applications were handled by fax. In addition, those companies, which could not be contacted by the phone, they were sent letters and faxes. Also 3 documents have been taken by hand from companies in Ankara. 18 of the companies stated that the information could be found on their web page. An Internet survey was carried out for these companies.

Distribution according to the method of collecting data is given in Table 4 below.

Table 4: General Distribution of Data Collection Techniques

INTERVIEW TYPE	Number of Interview
Telephone	298
Fax	135
Letter	22
Internet Search	18

As can be seen in Table 4, 298 phone calls were made. During the phone calls, apart from the connections through switchboard, 90 diverted calls were made, by different reasons. Also, for the unreachable telephones, the unknown number service (118), was used 11 times. 104 companies contacted via phone, requested a written application and 61 were sent faxes. For 22 companies, which could not be reached by phone or fax, letters were sent. For the companies, which have more than one company traded on the ISE, only their head offices were contacted.

Accordingly, the way of contacting and collecting data is shown in Table 5: with 78 of them only phone calls were made, in addition to phone calls, faxes was sent to 104 of them, web pages of 18 companies were ana-

lyzed and letters were sent to 8 of them. In addition to these, 31 companies which could not be reached by phone were sent faxes and for the ones which could not be reached by fax, letters were sent to 14 of them.

Table 5: Distribution of Data Collection Techniques Applied to the Companies

DATA COLLECTION TECHNIQUE	Number of Techniques	(%)
Telephone	78	28.1
Telephone and Fax	104	37.4
Telephone and Internet Search	18	6.5
Fax	31	11.1
Telephone and Letter	8	2.9
Letter	14	5.0
Not Searched	25	9.0
Total	278	100.0

When the study was made on August 08, 1999, answers were received from 192 companies. The percentage of received answers is %69.01.

4.2.3. Methodology in Evaluating the Data

As it is mentioned before, the annual reports for 1998 are asked from the companies traded on the ISE, which included statements about vision, mission explanations, values, ethical principles and messages of high-level managers.

Companies have replied through 79 annual reports, 32 philosophy documents and introductory booklets, which include vision, mission, values, the documents on quality. 25 companies were accepted to have replied since the company groups which they belong to have replied. 18 companies' documents were acquired through their web pages on the philosophical group documents. 86 companies have not replied when the evaluation of data began on August 1, 1999. 35 companies have replied by stating they have no written documents about the topic. The classification of the documents sent by the companies can be seen in Table 6.

Table 6: Distribution of Companies According to their Replies

ANSWER TYPE	Number of Answers	(%)
Not Replied	86	30.9
Stating that no Written Document is Available	35	12.6
Considered in Philosophical Group Documents	84	30.2
Considered in Activity Report Group	73	26.3
TOTAL	278	100.0

Content analysis is the method used for evaluation of the philosophical group documents and annual reports.

The content analysis includes analyzing questions such as from whom to whom, by what purpose and tool, by which condition and situation, what it is, in particular, stating (or what it is not stating) related analysis description, therefore it analyzes the content analysis of content (Erdoğan, 1988).

Within this context, the aim of the research is to understand and give meaning to the areas related with business ethics. The content analysis method is used. In addition to the content analysis, since the explanations used under ethics, the ethical statements will be evaluated, and comparison with structural characteristics will be applied. A quality testing method will also be applied.

The frequency distributions and percentage calculations are used in the evaluation of ethical statements. And correlation test is applied to see the relationship between the ethical statements and company's structural properties. Lastly, chi-square test is used to enrich the evaluations and to contribute to the research for analyzing specific relationships.

The following steps were followed in order to determine and evaluate the companies' statements:

- 1- Reading and evaluating for trust and classification of the files which are sent by the company and found from web sources by August 01, 1999 which are; a) vision, mission statements, b) business values, c) ethical principles, as "philosophical group documents" and annual reports as "annual report group document".
- 2- When coming across with a philosophy group documents in annual reports we put 84 companies named under the philosophy group and

- 73 companies were evaluated through their annual reports.
- 3- Out of 8 holding companies, which include other companies within their structure, 2 documents belong to annual report document group and others to the philosophy group.
 - 4- 35 of the companies as mentioned before stated they do not have a written document.
 - 5- Therefore, 157 companies documents were analyzed.
 - 6- The companies, which had more than one group of companies traded on the ISE, were evaluated according to the explanations provided by their headquarters about vision, mission or business value.
 - 7- The documents were read and analyzed according to the measurement that was mentioned in the first step.
 - 8- The readings were evaluated sentence by sentence since the aim of the analysis was to find out the field of explanations and contents,
 - 9- A specific ethics definition has been considered in order to provide equality in the ethical evaluation of the sentences and to remove individual specific values and approaches. The explanations are found in the Webster's 3.rd New International Dictionary, which says that ethics, is the principles and behavior standards that divert the behaviors of individuals or companies.
 - 10- The sentence is considered as ethical statement if it specifies a principle or behavior standard towards the company as a whole or its functions.
 - 11- For each company (n=278), the sentences about ethics were given a page number and listed separately. The source of the sentence was also written down on the same page.
 - 12- By doing so, 278 pages on ethical explanations about companies were compiled as a document.
 - 13- A table was made according to the companies' general activities and their separate functions.
 - 14- The pages, which are prepared for each company, were taken and the sentences explaining the general activities were written under the management function and the sentences about functions were written under their own functions. During the analysis, the sentences were re-checked.
 - 15- The analysis was carried out by writing completely, the ranking number of the company and the ethics statement.
 - 16- The lengths of the sentences vary between 2 and 30 words (e.g. environment friendly).

- 17- So, in some sentences different business functions were found. These were taken as whole sentences and they were analyzed separately.
- 18- The companies, which are under the same group and have common statements, were put into the same Table.
- 19- On the managerial Table, the sentences were divided into two as "general organizational principles" and "public approach".
- 20- By doing so, 7 tables were prepared for the sentences within the context of ethics.
- 21- Tables were checked.
- 22- Within this framework, 39 sentences about finance, 40 about environment, 71 about production, 105 about marketing, 107 about human resources and 162 sentences were found under administration in which 72 were found about general organizational principles and 90 in public approach.
- 23- The sentences, which are classified according to their functions, were coded according to the given messages.
- 24- The classification of coding was realized together with 2 researchers.
- 25- The classification was checked and controlled again.
- 26- According to the classification, 3 on production, 4 on marketing, 3 on finance, 9 on human resources, 3 on environment, 7 on organizational principles and 7 on the explanations related to the public making up a total of 36 different fields.
- 27- Lastly, the data were typed in SPSS according to whether the companies have statements toward these classifications and according to their demographically characteristics.
- 28- For the data under SPSS, frequency and percentage distributions, chi-square and correlation tests were applied.

4.2.4. The Validity and Reliability of Research

The criteria that was developed by Miles and Huberman (Miles and Huberman, 1998) for objective research was used for the research and the following steps were taken:

- 1- The methods used in the search were clearly explained in the evaluation of the data.
- 2- Telephone, fax, letter and Internet survey methods were all used for data collection in the research. These were explained in details.
- 3- The aim of the research is consistent with the data and the results obtained from the data are consistent with the result
- 4- Collecting the data is recorded with special care. The name, tele-

phone, fax number and web addresses of the firms were recorded together with the content of the interview.

- 5- In the evaluation of data; special care was shown in order not to be affected by the individual evaluating approaches. For this reason, while evaluating the documents of the companies, simple explanation of ethics was used.
- 6- Also, coding and classification were carried out with 2 other researchers.
- 7- In every stage of the research, a relation was connected with explanation of the ethics.
- 8- All the collected information was put into archive as data for other researches.

These steps were used for the research in order to increase its interior reliability and to increase its consistency and balance.

- 1- Clear and short statements are used while asking for the documents from the companies. For this reason, a pilot study was carried out with 16 companies. As a result of this pilot study, some improvements were gained on how to express what is wanted. From the results the same statements were used on the phone calls.
- 2- When the research was carried out, there was no special contact with any of them.
- 3- The people who are responsible on this subject are contacted in order to reach the required documents.
- 4- To be able to make ethics classification, a relation was formed with the theoretical structure.
- 5- Classification was made by coding.
- 6- Direct telephone was used in order to reach the data source.

To be able to increase the interior validity of the research the following were carried out:

- 1- At the end of the research significant results were reached.
- 2- Limitations of the research were identified.
- 3- While collecting data for the research, the reply rate was 69.01%, which made the results significant.

4.2.5. Limitations of the Research

The limitations of the research on the methodology and evaluation are:

- 1- No any other research on literature was carried on the same subject using the same methodology.

- 2- Two different documents were examined in the research. First one is named as philosophy group documents, which evaluated companies' vision, mission explanations or values. The second one is the annual reports. Philosophy group documents cover companies' lifetime, whereas annual reports give information only pertaining to year 1998.
- 3- When the data collection began, there were some companies that did not submit their reports.
- 4- It is impossible to determine the functions of the companies and subtitles by the result of the content analysis. There could be some discussions towards different divisions of the same statements.

4.3. The Findings of the Research

The findings of the research are divided into 3 main groups according to the aim of research. On the first part, according to the aim of research demographically characteristics of the companies traded on the ISE were studied. On the second part, the fields of the statements about ethics were found. On the third part, the relationship between the companies' demographic characteristics and ethical statements were analyzed.

4.3.1. The Findings Related with Demographical Characteristics

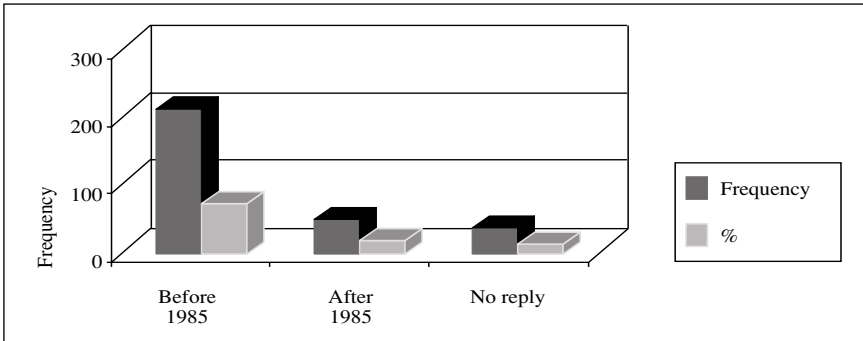
The followings has been examined during the research for 278 companies traded on the ISE; their establishment dates, number of staff, their market value in US \$, whether they have ISO 9001-9002 certificates and the place of industrial firms among the first 500-industrial companies in Turkey.

4.3.1.1. Establishment Date

Establishment dates of the companies vary between 1924-1996. Distribution is implemented in the same way to avoid any missing data. But to be able make a distinction for the ones incorporated before the establishment of the ISE, the distinction in Figure 2 is made in order to point out their differences from their ethical statements.

Accordingly, 201 companies were operating before 1985, 47 of them started to operate and began to be traded on the ISE after 1985. No information was found about the establishment dates of 30 firms.

Figure 2: Distribution of Companies Traded on the ISE According to Establishment Date

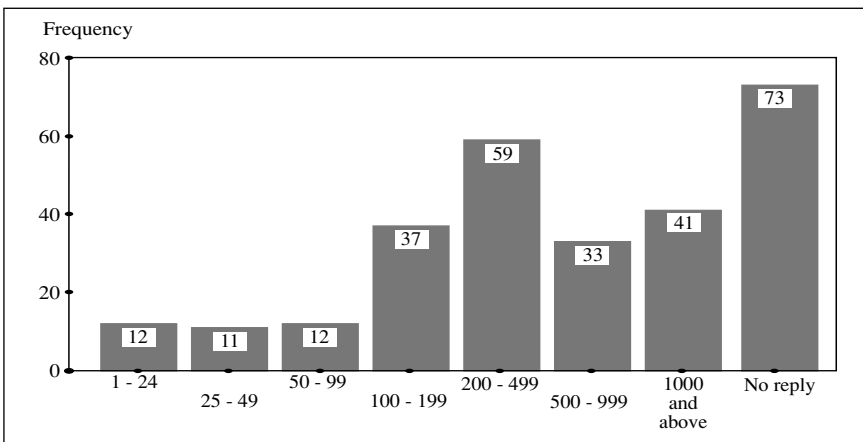


4.3.1.2. Number of Staff

The number of staff of the firms has been examined to determine their size. The staff number changes from 4 to 6587. To make it easier to understand, blocking scale are used which were used by State Institute of Statistics (SIS). The aim is to understand the differences in understanding ethics when number of staff changes. As the number of staff increases, especially the ethical statements of human resources are expected to increase.

As can be seen in Figure 3, 12 companies are in between 1-24, 11 has 25-49, 12 has 50-99, 37 has 100-199, 59 has 200-499, 33 has 500-999 and 41 has over 1000. Also the staff number of 73 firms is not known.

Figure 3: Distribution of Companies which Trade on the ISE According to the Number of Personnel

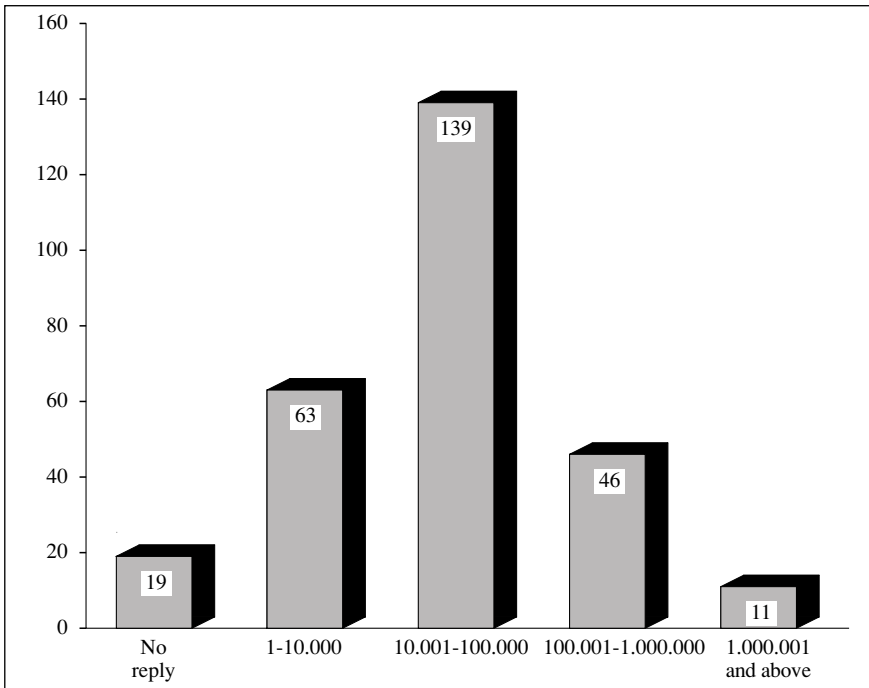


4.3.1.3. Market Values

The dollar-based market values of the firms were evaluated for the ones which trade on the ISE (Gedik Yatırım Borsa Bilgileri, 1999).

The market value of the firms differ from 380.000 \$ and 5.423.570.000 \$. The blocking system was used again. The evaluation was done with the real values in order not to miss any data.

Figure 4: Distribution of Companies Traded on the ISE According to Their Market Values (000)



As it is seen in Figure 4, total number of firms having market values between 1.000-10.000.000 \$ is 63, 139 has 10.000.000-100.000.000 \$, 45 has 100.000.001-1.000.000.000 \$, 11 over 1.000.000.000.001 \$.

4.3.1.4. ISO Certificates

The firms were checked for having ISO 9001 or ISO 9002 certificates. As it is explained below, the written documents about quality control were needed. These documents put down the firm's every stage of work. So the firms, which have these documents, are expected to have more ethical

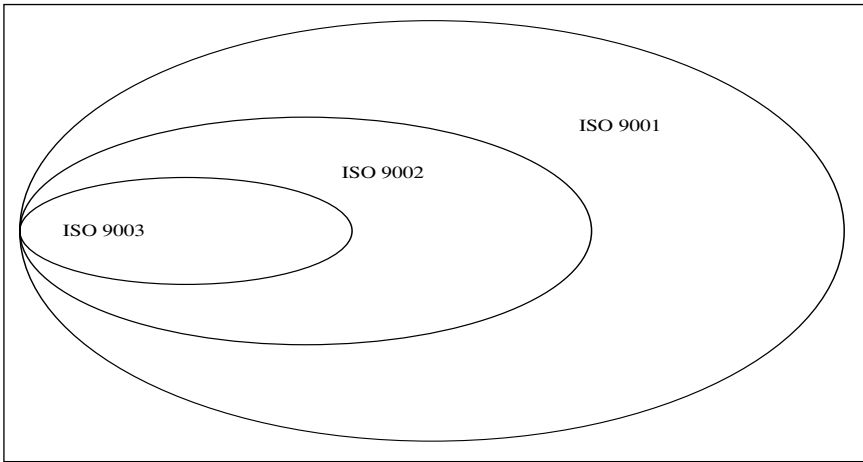
explanations than the others. In other words, the firms having ISO certificates are accepted as being aware of ethics.

As it is known, ISO is short writing of 'International Organization for Standardization'. These quality control standards, ISO 9000, are accepted worldwide (Başlıklarla ISO 9000 Kalite Güvence Sistemi, 1998). These standards define the minimum requirements that are necessary to have an internationally accepted quality management system.

ISO 9001; quality assurance model about quality systems-design/develop, production plant and service,

ISO 9002; quality assurance model about the quality control of production, plant and service. As it is seen in Figure 5, these standards include each other.

Figure 5: Relations of ISO 9001, 9002 and 9003



Source: İbrahim Kavrakođlu, Kalite Güvencesi ve ISO 9000, Kalder Pub., 1998.

Table 7: Scopes of ISO 9001, 9002 and 9003

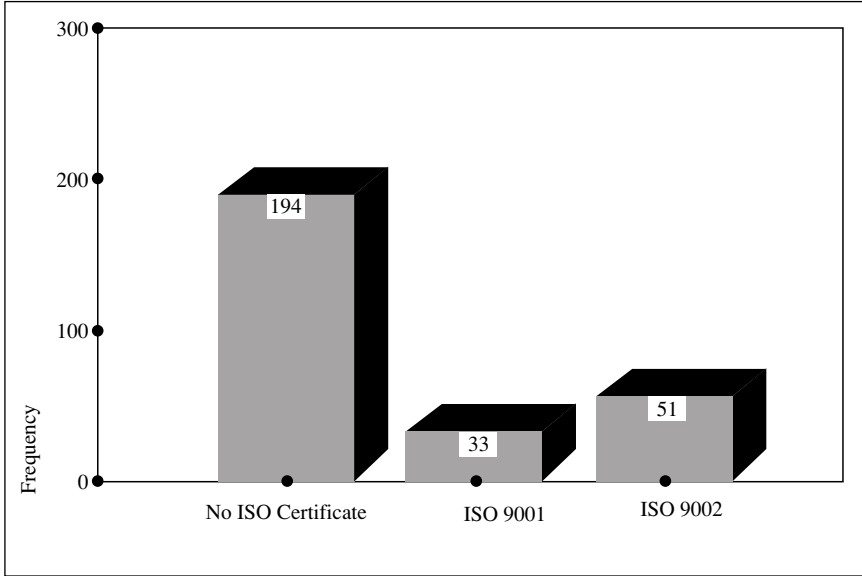
	ISO 9001	ISO 9002	ISO 9003
1. MANAGEMENT			
Duty of Management	*	*	*
Quality System	*	*	*
Document Control	*	*	*
2. DESIGN	*	-	-
3. PURCHASE	*	*	-
4. PRODUCTION			
Process Control	*	*	-
Transportation	*	*	-
Packaging	*	*	-
5. QUALITY CONTROL			
Ability to be Followed	*	*	*
Examining and Testing	*	*	*
Quality Records	*	*	*
Control of Deceived Products	*	*	*
Correction Annual	*	*	-
Education	*	*	*
Statistical Techniques	*	*	*
6. SERVICE	*	*	-

Source: Ibrahim Kavrakoğlu, Kalite Güvencesi ve ISO 9000, Kalder Pub., 1998.

ISO 9001 determines the differences in the quality systems of suppliers (organization which provides a product to the customer) in their abilities to design and provide suitable products (Kavrakoğlu, Kalite Güvencesi ve ISO 9000, 1998).

As it is seen in Table 7, the only difference between ISO 9001 and ISO 9002 is that ISO 9001 includes design subjects, which are not included in ISO 9002. So the understanding of the contents of ISO 9001 will help understanding all the standards.

When the companies are checked whether they have ISO 9001 and ISO 9002 certificates (TSE, 1999) the following results in Figure 6 were reached:

Figure 6: Number of Companies Having ISO Certificates

According to these, out of 278 companies, 33 companies had ISO 9001 certificates, 51 companies had ISO 9002 certificates. There are 26 companies that had both. So a total of 58 have ISO certificates. But 196 of the companies have no ISO certificate at all.

4.3.2. Companies' Statements in the Context of Ethics

The official and written documents of the firms traded on the ISE, about ethics are considered under the framework of five business functions mentioned before. These were: management, production, marketing, finance, human resources and environment. Accounting function is not included since independent people who are specialized on this subject check them.

The distribution of ethical statements associated with philosophical group documents and annual reports are given in Table 8 according to the 7 fields considered. The frequency of the firms in the financial function of philosophy group is 49 and 5 in annual report, 54 as a total, in the production function of philosophy group it is 49, 29 in annual report having as a total 78, in the marketing function of philosophy it is 62, 25 in annual, as a total 87, 66 in human resources of philosophy group, 30 being on annual report as a total 99, in environment function of philosophy group 30, 10 on annual report as a total 40, 54 in managerial function of philos-

ophy group, 17 annual report as a total of 71 and for the managerial function for philosophy group 60, 26 in annual report, and 86 as a total.

Table 8: Distribution of Ethical Statements According to their Document Types

BUSINESS FUNCTION	Frequency of Documents in Philosophy Group	Number of Annual Report
Environment	30	10
Finance	49	5
Management (Organizational Principles)	54	17
Management (Towards Public)	60	26
Production	49	29
Marketing	62	25
Human Resources	66	30

4.3.2.1. Findings about Production Function

The ethical statements of the firms traded on the ISE are evaluated in 3 categories:

1. Quality in production
2. No-loss and zero mistake production
3. Product Safety or reliable products

In the classification made as it is shown in Table 9, 73 (%38.0) in high quality production, 15 (%7.8) in no-loss production, and 14 (%7.3) in reliability for the product have been observed. It was seen that 114 companies (%59.4) did not make any statements.

Table 9: Distribution of Ethical Statements According to the Fields in Production Management

ETHICS FIELDS	Statement	(%)	No Statement	(%)
High Quality Production	73	38.0	119	62.0
No-Loss Production	15	7.8	177	92.2
Product Reliability	14	7.3	178	92.7

4.3.2.1.1. Quality in Production

Especially in recent years 'high quality products' became a very popular slogan in our country. In general, it is possible to measure the quality of the products by the degree of consumer satisfaction. In the fast developing and competitive business world, production according to satisfaction needs and wishes of the customers, is one of the main concepts in business strategies that cannot be abandoned. Therefore, the term of "high quality product" is naturally used.

When the philosophy group documents of the firms are analyzed, 46 (%54.76) firms are observed which gave statements about quality of their products. These statements are found in Table 10 and 11. Out of 73 firms that had statements, 18 (%24.6) of them are service and 55 (%75.34) of them are industry sectors.

In the service sectors, as it is seen in Table 10, 6 (%42.8) in each, in providing the "best service quality" and aiming to give a "high service quality" were observed, the others are "assume quality as one of the compulsory duties", "trying to reach better quality in service" and "having a high quality service philosophy" is observed as 2.

Table 10: Statements About High Quality Production in Service Sectors

ETHICAL STATEMENTS	Number of Firms	%
• Offering the Best Service Quality	6	42.8
• High Service Quality	6	42.8
• Assuming Quality as One of the Compulsory Duties	2	11.1
• Trying to Reach Better Quality in Service	2	11.1
• Having a High Quality Service Philosophy	2	11.1
TOTAL	18	100.0

To serve the quality and its continuous improvement is the ethical responsibility of the firms. The firms, which made these statements, have expressed their principles and they want to carry on their activities in this way. What is asked from the firms is to put forward these ethical statements. Official and written statements provide the control of the firms by the environment and make the control easier.

When the industrial firms are analyzed, 24 (%43.7) firms mention 'making high quality production', and 9 (%16.4) firms mention "not to sacrifice anything from quality". The others mentioned, "to produce in

world quality", "producing products in high standards" and "protecting the high quality standards".

Table 11: Statements About High Quality Production in Industrial Firms

ETHICAL STATEMENTS	Number of Firms	%
• Making High Quality Production	24	43.7
• Not to Sacrifice Anything From Quality	9	16.4
• Production in World Quality Standards	5	9.1
• Production in High Quality Standards	3	5.4
• Protecting their High Quality Standards	3	5.4
• Other	11	20.0
TOTAL	55	100.0

Different statements can be found which could be identical with high quality products statements. These firms are the ones, which aim to completely satisfy the customer needs as quick as possible and try to be in search for high quality new products.

4.3.2.1.2. No-Loss/Zero Mistake Production

The third subject considered under production ethics is no-loss or zero mistake production. The capital, as it is the main asset of the companies and the national economy, it has to be protected and developed under the responsibility of the companies (Tosun, 1990). So these resources have to be used efficiently. Therefore the subject is taken under ethics.

When the statements made by the firms traded on the ISE are considered in Table 12, 13 firms (%86.7) had explanations about 'Zero Mistake' production.

Table 12: Statements About No-loss/Zero Mistake Production

ETHICAL STATEMENTS	Number of Firms	(%)
• No-Loss Production	13	86.7
• Zero Mistake Production	2	13.3
TOTAL	15	100.0

On this subject, 15 firms have explanations in which 10 were in philosophy group and 5 in annual reports. Also an important number of these firms (13; %86.7) are in the industry sector. The no-loss production is

mentioned in 13 industrial firms. The statement is expressed as wasting no time and resource in production. In general, zero mistake covers the subjects on discovering the errors, their reason to evolve and ways to prevent them.

About this subject, one firm's handbook titled "Organization Culture", gives the principles which divert the firm's actions. Among these principles, no-loss and zero mistake production are stated and these explanations are made:

Zero-mistake production: To have zero mistake production with the understanding of high-quality production.

No-loss production: To bring the "resource usage", "time" and "resource" loss to zero.

4.3.2.1.3. Reliability of Product

The second subject under ethics is reliability of products. Providing reliable and healthy products is very important for companies and their consumers. There are various legal laws for this subject.

In the study we see only 14 companies, which mentioned this subject; 6 of which under philosophy group documents. The statements and their corresponding frequencies on this subject are: 'Producing reliable product/service' 5 (%35.8) 'hygienic products' 4 (%28.6) 'production in high hygienic standards' 2 (%14.2) firms.

Table 13: Statements About Reliability of Product

ETHICAL STATEMENTS	Number of Firms	(%)
• Producing Reliable Good / Service	5	35.8
• Hygienic Products	4	28.6
• Production in High Hygienic Conditions	2	14.2
• Other	3	21.4
TOTAL	14	100.0

To provide hygiene and produce hygienic products is a very sensitive subject. This subject is not only considered for the food industry. Every company has to obey it. It has legal and ethical aspects. In the research, 14 companies are found under this subject. In 11 companies that are in the food sector of the ISE, 4 of them have written documents.

4.3.2.2. Findings Related with Marketing Function

The findings about the marketing function are divided into 4:

1. Customer satisfaction,
2. Service after sale and distribution,
3. Communication
4. Consciousness of Consumer.

Table 14. Distribution of Ethical Statements According to the Fields in Marketing Function

ETHIC FIELDS	Statement	(%)	No Statement	(%)
Customer Satisfaction	66	34.4	126	65.6
Communication with Consumer	24	12.5	168	87.5
Consciousness of Consumer	16	8.3	176	91.7
Service After Distribution and Sale	13	6.8	179	93.2

According to the classification made according to the fields where those companies made explanations, 66 (%34.4) companies had statements for customer satisfaction, 24 (%12.5) companies on communication with consumer, 16 (%8.3) companies on consciousness of consumers, and 13 (%6.8) companies on service after sale. 70 of those companies, which sent documents for the research, did not include any statement about marketing.

4.3.2.2.1. Customer Satisfaction

'Customer Satisfaction' term, which are found in marketing function statements, are generally used with the word 'high quality products.' As a meaning, these statements are very similar and most of the time they are used together. To test this hypothesis; chi-square test is used and as it is seen in Table 15, at %95 level of significance it gave significant results. In a wider explanation, high quality production and customer satisfaction had a significant relationship. The document, which includes a statement about high quality production mentions about customer satisfaction as well.

Table 15: Distribution of Statements About Customer Satisfaction According to the Statements on High Quality Production

ETHICAL STATEMENTS	Customer	Satisfaction	Total
High Quality Production	No	Yes	Number of Firms
No	90	29	119
Yes	36	37	73
TOTAL	126	66	192

p = ≤ 0.05 % 95 sd.1

Mostly these two expressions are used together and sometimes they are used with several other words as well. But there are no different approaches found in the meaning towards industry and service sectors. In addition, 46 (%32.2) industrial companies out of 143 and 20 (%40.8) service companies out of 49 make statements about customer satisfaction. In general from the 35 companies which said "we had no written documents" 2 of their explanations from head offices are taken into attention, so 93 companies which sent documents did not mention about customer satisfaction. The expressions with the same contents with customer satisfaction are given on Table 16. 28 (%42.4) companies used 'customer is our main blessing' and 21 (%31.8) used 'customer satisfaction' expression.

Table 16: Statements About Customer Satisfaction

ETHICAL STATEMENTS	Number of Firms	(%)
• 'Customer is Our Main Blessing'	28	42.4
• Customer Satisfaction	21	31.8
• Customer Orientation	12	18.2
• Customer Satisfaction With No Conditions	4	6.1
• Giving Priority to Consumer Needs	1	1.5
TOTAL	66	100.0

Also, the expressions about customer satisfaction are found under philosophical group documents. 47 (%56.0) out of 84 in philosophical documents and 17 (%23.3) out of 73 annual reports made statements about customer satisfaction. In other words customer satisfaction comes before the companies' vision, mission and values.

4.3.2.2.2. Communication with Consumer

Doubtlessly, communication with the consumers is one of the main functions of modern marketing. The companies, which have explanations on behavior principles and direct their facilities accordingly, are considered to have ethical statements. The subject taken under business ethics is found on document under different expressions. On 'communication with the consumers' related documents 21 (%87.5) are found in philosophy group and 3 in annual reports. 133 (%79.2) documents did not mention the subject.

The 'communication with consumer' differs in industry and service sectors. 17 (%11.9) companies out of 143 industry companies and 7 (%14.3) out of 49-service sector companies have statements about the subject when the research is implemented. The approaches can be seen in Table 17. Accordingly, mostly used explanations are 'continuous and mutual interaction with the customers' with 11 (%45.5), 'having agreements, cooperation, solidarity', with 9 (%37.5) firms.

Table 17: Statements About Communication with Customers

ETHICAL STATEMENTS	Number of Firms	(%)
• Mutual and Continuous Interaction	11	45.8
• Agreement, Cooperation and Solidarity With Customers	9	37.5
• Sensitivity to Customers	3	12.5
• Long-Term Relations With Customers	1	4.2
TOTAL	24	100.0

4.3.2.2.3. Consciousness of Consumers

It is an important problem to make the consumers conscious about their rights on the product they buy, or the ones they want to buy. Making the consumers informed on the subject or educate them is under the responsibilities of the companies. Information about the product or service has to be easily accessible by the consumers. The distance to reach this information should not be away from the distance of the product and service for the consumer. To provide this, is the responsibility of the related companies.

On this subject, as it can be seen in Table 18, 16 companies are found. 12 (%75) of these are in philosophy group and 4 in annual reports. Sectoral distribution of companies does not show a significant pile up.

Table 18: Statements About Customer Consciousness

ETHICAL STATEMENTS	Number of Firms	(%)
• Importance for Protection/ Consciousness of Customer	11	68.8
• Protecting Consumer Rights	4	25.0
• Engaging in Vendor Education Activities	1	6.2
TOTAL	16	100.0

4.3.2.2.4. Service After Distribution and Sale

Distribution system is related with the product, which was demanded by the consumer to be in the place the consumer wants, at the time and in right amount. Service after sale in general covers the service given after the product was purchased. These two subjects are analyzed under one title.

When the documents in hand are analyzed; there are 7 explanations on distribution system and 8 on service after sales. Three has given information about both. Statements are shown in Table 19. Expressions on 'giving importance to service after sale' 5, 'providing customer high quality service after sale' 4, '24 hours network of service' 2, and 'solving the problems of the customers in the shortest time period' is mentioned by 2 companies.

Table 19: Statements About Service After Distribution and Sale

ETHICAL STATEMENTS	Number of Firms	(%)
• Giving Importance to Service After Sale	5	38.5
• Providing Customer High Quality Service After Sale	4	30.7
• Creating 24 Hour Network of Service	2	15.4
• Solving Customer Problems in a Short Time Period	2	15.4
TOTAL	13	100.0

From the total of 13 companies; 3 are in services and 10 are in industry sectors. The subject is only taken into account in annual reports and cannot be seen in vision, mission or in any other explanations.

4.3.2.3. Findings Related with Finance Function

The companies traded on the ISE, are classified in 3 categories on ethical statements in the context of finance function. These are:

- Being honest and fair to shareholders

- Providing profit to the shareholders
- Low cost/ efficient production

According to the classification, 50 (26%) on providing profit to the shareholders, 8 (4.2%) on being honest and fair and 12 (6.3%) of the companies on efficient and low cost. The distribution can be seen in Table 20.

Table 20: Distribution of Ethical Statements About the Fields in Financing Function

ETHICS FIELDS	Statement	(%)	No Statement	(%)
Provide Profit for Shareholders	50	26.0	142	74.0
Effective/Low Cost	12	6.3	180	93.7
Being Honest and Fair to Shareholders	8	4.2	184	95.8

4.3.2.3.1. Providing Profit to Shareholders

As it is mentioned before, the aim of the financial administrations is to provide reliability and profitability so provide the continuity of the company. The subject is evaluated under financial function.

Companies and managers have responsibilities for their shareholders. First of all, providing profit is the most important function. This is a sensitive subject for the companies traded on the stock exchange. Providing profit to the capital owners (shareholders) is an ethical work. The related expressions used for this action are given in Table 21. These are; "making profit" 33 (66%), "providing a satisfactory and continuous profit for the partners" 12 (24%), "providing the highest level of profit to the partners" 2, "increasing the value of shares of partners" 2 (4%), "taking precautions for the continuity of benefits of partners" 1, that companies had mentioned.

Table 21: Statements About Provision of Profit for Shareholders

ETHICAL STATEMENTS	Number of Firms	(%)
• Making Profit	33	66.0
• Regular and Satisfactory Profit for Partners	12	24.0
• Providing Highest Possible Profit for Partners	2	4.0
• Increasing the Values of Shares of Partners	2	4.0
• Taking Precautions for the Continuity of Benefits of Partners	1	2.0
TOTAL	50	100.0

The above expressions are the most frequently mentioned subjects in the companies traded on the ISE. 38 from industry sector, 12 from service sector as a total of 50 companies have promises for providing profit for its partners. The importance of the subject can be understood by the presentation of it in vision, mission and values. From 45 philosophy documents out of 84, "continuous and satisfying profit" is given in different ways.

4.3.2.3.2. Efficient/Low Cost Production

One of the ways to gain more profit is to produce by lowering costs. Lower cost needs a careful control of expenditure on production. The cost structure of the product or service is important both for the consumers for their buying ability and for the companies and shareholders for profit. Ethical expressions on product and service costs are shown in Table 22. The frequency distributions of these are such; "easily buyable products" 6, "lowering the provision cost" 4, "efficient cost" 2. There are 12 companies that show interest to this subject. 9 of these are from industry and 3 from service sector. There are 11 sub sectors involved. So a sectoral pile up is not observed. Cost structure is mentioned in 10 philosophical group documents and 2 companies in annual report. The subject is usually mentioned in mission, vision or in value statements.

Table 22: Statements About Efficient and Low Cost Production

ETHICAL STATEMENTS	Number of Firms	(%)
• Easily Buyable Products	6	50.0
• Lowering Provision Costs	4	33.4
• Effective Cost	2	16.6
TOTAL	12	100.0

4.3.2.3.3. Being Honest and Fair to Shareholders

Providing continuous and efficient profit is enough for partners of the companies. Another subject, pointed out in the documents is "being honest and fair to the partners". Being honest and fair include ethical principles and it is explained in Table 23: 3 companies answered, "protecting the rights of the shareholders" and "to be trustable for shareholders", and 2 answered "Making fair payments to shareholders".

Table 23: Statements About Being Honest and Fair to Shareholders

ETHICAL STATEMENTS	Number of Firms	(%)
• Protecting the Rights of Shareholders	3	37.5
• Being Trustable for Shareholders	3	37.5
• Making Fair Payments to Shareholders	2	25.0
TOTAL	8	100.0

4.3.2.4. Findings on Human Resources Function

Companies traded on the ISE have explanations on this subject under 9 titles:

1. Giving importance to the employees
2. Creating happy and healthy environment
3. Education of employees
4. Satisfaction of employees
5. Communication with the employees
6. Career opportunities of employees
7. Financial opportunities for employees
8. Cooperation between employees
9. Union relations

The dimensions of human resources come forward in detail and are one of the most frequently mentioned subjects by many companies. As it is seen in Table 24, majority of the companies give importance to employees 60, creation of happy and healthy environment 52, education of the employees 44, satisfaction of the needs for the employees 36, communication with employees 28, carrier opportunities 17, the employees' financial opportunity 13, cooperation between employees 12, and 11 from related with unions.

Table 24: Distribution of Ethical Statements According to the Fields in Human Resources

ETHICS FIELDS	Statement	(%)	No Statement	(%)
Giving Importance to the Employees	60	31.3	132	68.7
Creating Happy and Healthy Environment	52	27.1	140	72.9
Education of Employees	44	22.9	148	77.1
Satisfaction of Employees	36	18.8	156	81.2
Communication With the Employees	28	14.6	164	85.4
Career Opportunities of Employees	17	8.9	175	91.1
Financial Opportunities For Employees	13	6.8	179	93.2
Cooperation Between Employees	12	6.3	180	93.7
Union Relations	11	5.7	181	94.3

4.3.2.4.1. Giving Importance to the Employees

The subject of 'giving importance to the employees' is the most frequently used subject. Companies in their written official documents take the subject in a different way. As it is seen from Table 25, the mostly used one is the one who gives importance to the employees/human resources and be sensitive to the employees. 17 companies mentioned "giving importance to employees" and 11 companies mentioned, "to be sensitive to employees". 50 of 83 are found in the philosophical group documents. In other words, 50 companies among its vision, mission or values give importance to the employees. 10 companies mentioned about the subject in annual reports. Also, it is seen that the subject is more important for the service companies. 18 out of 49 service companies and 42 out of 143 service companies mention that they are sensitive to their employees. All the sectors in the tourism and brewery, 6 food, 5 automotive, 4 holding companies, 3 bank and 3 textile sectors have statements about the subject.

Table 25: Statements About Giving Importance to Employees

ETHICAL STATEMENTS	Number of Firms	(%)
• Appreciating Employees / Human Resources	17	28.4
• Being Sensitive to Employees	11	18.3
• Showing Respect and Love to Employees	8	13.3
• Assuming Human Resources as the Most Important Capital	8	13.3
• “At Each Level Staff is Our Asset” Approach	6	10.0
• Behaving Honest and Respectful to the Personnel	4	6.7
• Assuming Human Resources as the Most Important Power	4	6.7
• Other	2	3.3
TOTAL	60	100.0

4.3.2.4.2. Creating Happy and Healthy Environment

The characteristics of the environment in which the personnel work is very important for the employees besides giving importance to them. To create happy and healthy environment for employees is under the companies' responsibilities; to provide a hygienic, clean, warm and light atmosphere is a sensitive subject, which affects the employees. These things have to be arranged in such a way that they should not bring any negative things to employees' motivations. These are all ethical. 52 companies had statements about the subject, which are shown on Table 26.

Table 26: Statements About Creating a Happy and a Healthy Environment

ETHICAL STATEMENTS	Number of Firms	(%)
• Importance of Staff Happiness	12	23.1
• Providing Staff the Best Environment for Efficient Work	9	17.3
• Making Personnel Happy	7	13.5
• Creating a Reliable and a Untroubled Environment for the Staff	6	11.5
• Philosophy; Working Happy	5	9.6
• Customer Happiness Passing Through Staff Happiness	5	9.6
• Assuming Staff Happiness as a Tool for Efficiency	4	7.7
• Other	4	7.7
TOTAL	52	100.0

4.3.2.4.3. Education of Employees

Education of individuals is not limited by compulsory education. The employees' education in which they gain from work experience, not only provides benefit for himself and the company but also to the public. This provision is accepted as an ethical concept.

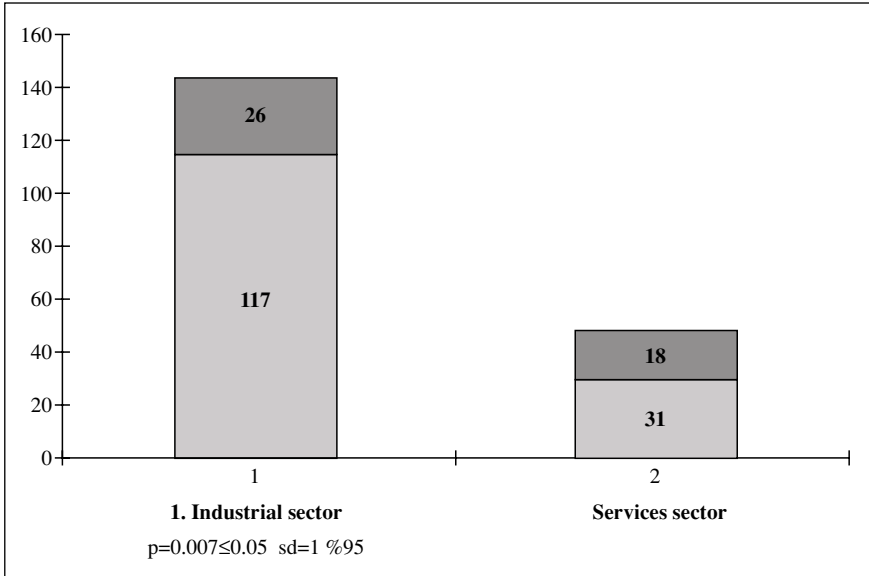
The distribution among the companies which had statements on this subject are given on Table 27: "Applying intensive education programs for the staff" 8, "giving one of the most important interests to education" 6, etc.

Table 27: Statements About Employees' Education

ETHICAL STATEMENTS	Number of Firms	(%)
• Applying Intensive Education Programs for the Staff	8	18.2
• Giving One of the Most Important Interests to Education	6	13.6
• Priority in Staff Education and Development	6	13.6
• Staff Enriched With Education	5	11.5
• Personnel Renewing Themselves Regularly	5	11.5
• Connecting Personnel Information, Skills and Faithfulness with Education	3	6.8
• An Approach Inviting Own to Renew Continuously	2	4.5
• Definition of the Sector as a Scholl	2	4.5
• Being an Institution which Provides Education	2	4.5
• Other	5	11.3
TOTAL	44	100.0

There is a significant result coming from the distribution of ethical explanations on education in industry and service sectors. Education is more important in service sectors. As a continuation to the factors mentioned above, human is important and education of human is also important in these sectors. As it is seen in Figure 7, 18 (%36.7) from total of 49 service companies and 26 (%18.2) out of 143 industry companies give importance to the education of employees and mention the subject in their reports.

Figure 7. Distribution of Statements of the Firms About Personnel Education According to their Sectors



4.3.2.4.4. Satisfaction of Employees

As mentioned before, companies have responsibilities in 3 dimensions. These are towards the employees, public and consumers. As mentioned in consumers' part, companies have to take into account the satisfaction of employees. These actions are among the companies' responsibilities. So it is within the context of ethics.

The statements of the companies traded on the ISE towards the employee satisfaction in their written and official statements are given in Table 28: The mostly used statement is in "satisfying the employees" by 21 (%58.3) companies. 36 (%18.8) companies out of 192 included satisfaction of its employees in their documents. 23 of these are in industry, 13 in service sectors. 28 companies mention the subject in philosophy group documents.

Table 28: Statements About Employee Satisfaction

ETHICAL STATEMENTS	Number of Firms	(%)
• Satisfying Employees	21	58.3
• Increasing Employees Satisfaction	5	13.9
• Providing and Increasing Employees Satisfaction	3	8.3
• Being The Best in Employees Satisfaction	2	5.6
• Harmony of Institution Target with Worker Targets	2	5.6
• Other	3	8.3
TOTAL	36	100.0

4.3.2.4.5. Communication with Employees

Communicating with the employees is the base of the strategies and policies towards human resources for the administration. For companies, to give importance to communication as a principle is an ethical concept. But together with this when the relations with the employees are not taken into consideration as a strategy of a company, it will be an important obstacle on reaching the targets of the companies.

Related sentences with the subject are seen on Table 29. The most repeated sentences are "giving importance to inter-communication" (8; %28.6), "creating an open, net, contributing and two sided communication" (7; %17.9), "using honest and clear communication" (5; %17.9). 28 subjects are given importance to the subject. 21 of them are from industry and 7 from services companies. When the sub sectors are studied, 4 sectors from brewery and automotive give importance to communication. The others are from different sectors. Distribution rate is about 14.5%, which is the same. 22 companies explain the subject in the mission, vision or value, 6 in their annual reports.

Table 29: Statements About the Communication with Employees

ETHICAL STATEMENTS	Number of Firms	(%)
• Giving Importance to Inter-Communication	8	28.6
• Creating an Open, Net, Participate and Two Sided Communication	7	25.0
• Using Honest and Clear Communication	5	17.9
• Showing an instant Agreement and Cooperation with Employees	4	14.3
• Having good Information about Employees	2	7.1
• Providing Perfect Information	2	7.1
TOTAL	28	100.0

4.3.2.4.6. Career Opportunities for Employees

Career is something, which affects the employees not only in business life but also in their whole life. So both individuals and companies have responsibilities on the subject. The statements about the career of the employees are important in business ethics.

The related explanations on the subject done by the companies are; "providing employees equal opportunities in career", "authorizing", "providing career opportunities for the employees" and "encouraging to have a career". The most popular statement is the first one, which is mentioned above. The general distribution is given in Table 30. The subject is stated by 17 companies of which 11 operate in the industrial sector and 6 in the services sectors. All of them provide this information in their philosophical group documents.

Table 30: Statements About Career Opportunities of Employees

ETHICAL STATEMENTS	Number of Firms	(%)
• Providing fair Career Opportunities for Employees	7	41.2
• Authorization	4	23.5
• Providing Career Opportunities for Employees	4	23.5
• Encouraging to have Career	2	11.8
TOTAL	17	100.0

4.3.2.4.7. Financial Ability (Monetary Power) of Employees

Financial ability of the employees is a very sensitive subject in the countries where the income is not fairly distributed and inflation is high. The subject is important for the developing countries that experiences these. The principles of the work owners towards the provision of financial opportunities to their employees are evaluated under ethics. The approaches on the subject are given below. 4 companies (%30.7) use the first statement given in Table 31 and the rest is put forward by 3 (%23.1) companies. As can be seen from Table 31, 13 firms mentioned these approaches. 7 of them are from service and 8 from industry sector. Significantly the subject is more often analyzed in services sector.

Table 31: Statements about Monetary Ability of Employees

ETHICAL STATEMENTS	Number of Firms	(%)
• Harmony of Employees' Monetary Targets with Company Targets	4	30.7
• Monetary Opportunities As Much As Market Conditions	3	23.1
• Making Important Increases in Wages	3	23.1
• Motivating Personnel with Profit	3	23.1
TOTAL	13	100.0

4.3.2.4.8. Cooperation Between Employees

To provide and improve cooperation between the employees is under the responsibilities of management. Explanations on the subject can be seen in Table 32. According to the Table, there are 7 firms (%58.3) for "supporting and focusing on cooperation" which is the most frequent one; 2 (%16.7) for "being respectful to the colloquies"; 2 for "attracting team spirit"; and 1 for "belief in cooperation". In this statement, the total number of firms is 12 and 11 of them are industrial firms and 1 is a company in the services sector.

Table 32: Statements About the Cooperation Among Employees

ETHICAL STATEMENTS	Number of Firms	(%)
• Supporting and Focusing on Cooperation	7	58.3
• Being Respectful to the Colloquies	2	16.7
• Attracting Team Spirit	2	16.7
• Belief in Cooperation	1	8.3
TOTAL	12	100.0

4.3.2.4.9. Union Relations

The explanations on the subject of union relations can be seen in 3 different organizations. One of them says that it is a raising effort to provide peace in work. Another one, in its annual reports, says that common company contracts will be prepared as to be beneficial for the employees. On the other hand, another one says that the importance given to the union relations is something, which have to be taken into account. In 3 statements, there are ethical dimensions. Companies with these statements show their own principles.

4.3.2.5. Findings about Environmental Protection

The firms traded on the ISE have 3 ethical approaches on the subject. Even though the heading of environment and nature protection covers other approaches, it argues the requirement of the subjects which needs to be taken by the firms. These are;

- The protection of environment and the nature
- Recycle
- Improving consciousness about the environment

When the statements are analyzed, as can be seen in Table 33, there are 39 firms (%20.3) supporting "protecting environment/nature", 4 (%2.1) supporting recycle, and 4 (%2.1) on "improving consciousness about the environment". Recycling subject is generally related with industry sector so 143 industrial firms have been selected in the evaluation.

Table 33: Distribution of Ethical Statements According to Environment Protection

ETHICS FIELDS	Statement	(%)	No Statement	(%)
Protecting Nature/Environment	39	20.3	153	79.7
Recycling	4	2.8	139	97.2
Increasing Environmental Consciousness	4	2.1	188	97.9

4.3.2.5.1. Protecting Environment and Nature

The statements on this subject are; "respect for the environment", "producing in an environment which are respectful to human and environment", having an environment protection program", "better protection of nature, a green environment". The sequence of the use of the statements is given in Table 34. As can be seen, the most frequent ones are the first and the second; "respect to the environment" and "producing in the environment which are respectful to human and environment" with 11 firms (%28.2) for each. There are totally 39 firms, which mentioned the subject. 33 of them are in industry sector and 6 in services sector. It is more popular in industry sector. When the distributions in the sub-sectors are analyzed, it can be seen that 5 of these firms are on textile, 4 in brewery, 3 in iron-steel and 3 in automotive sectors.

Table 34: Statements About the Protection of Nature and Environment

ETHICAL STATEMENTS	Number of Firms	(%)
• Respect for Environment	11	28.2
• Producing in such an Environments that are Respectful to Human and Environment	11	28.2
• Having a Environment Protection Program	2	5.2
• Better Protection of Environment, a Green Environment	2	5.2
• Other	13	33.2
TOTAL	39	100.0

The firms mentioned the subject in their vision, mission or value explanations. 30 companies had (%35.7) these information found under philosophical documents and 9 (%12.3) in annual reports.

4.3.2.5.2. Recycle

4 companies had made explanations on the subject. Recycle is a subject related with industry sector so 4 out of 143 industrial companies have considered the subject. One of the firms states that it uses waste paper as recycle. Another one under its environment title, states that it preserves global resources, uses efficient recycle techniques and minimizes waste. Another one in its annual report states that it uses Europe's biggest plastic bottle factory.

4.3.2.5.3. Improving the Consciousness About Environment

Companies in addition to protecting the environment and nature or recycling, have to support facilities to improve the consciousness of society on this subject. There are 4 companies who had put forward these approaches. They say that consciousness of environment is a power supply, which shapes the future from today and they have some efforts to improve employees', families' and public consciousness on environment.

4.3.2.6. Findings on General Cooperation Principles

As mentioned before, the statements found in management function Table are divided into two titles of which are "general organizational principles" and "public approaches". The general organizational principles have 7 statements:

1. Having moral values
2. Transparency

3. Honesty
4. Respect for human
5. Trustworthiness
6. Prestige
7. Strength in principles

These statements made by the firms can be seen in Table 35. According to the Table, 35 firms (%18.2) have been found on the first, 28 (%14.6) on the second, 22 (%11.5) on the third, 21 (%10.9) on the forth, and others.

Table 35: Distribution of Ethical Principles According to General Organizational Principles

ETHICS FIELDS	Statement	(%)	No Statement	(%)
• Having Moral Values	35	18.2	157	81.8
• Transparency	28	14.6	164	85.4
• Honesty	22	11.5	170	88.5
• Respecting for Human	21	10.9	171	89.1
• Trust	20	10.4	172	89.6
• Respectfulness	12	6.3	180	93.7
• Strength in Principles	9	4.7	183	95.3

4.3.2.6.1. Having Moral Values

The statements which are related to the subject are: "Behaving Accordingly to the principles of Business Ethics " 11 (%31.4), "Business Ethics Principles Being a Base for Company Life " 4 (%11.4), and 3 (%8.6) in "having ethical values" and "behavior under business ethics rules". The distribution is given in Table 36.

As can be seen from the Table a total of 35 firms made statements on the subject. 26 of them are from industry and 9 from service sector. The sub sectors are found 3 in manure, 4 in food, 3 in retail, 2 in painting and 3 in holding companies. Therefore, a significant sectoral intensification do not exist.

Table 36: Statements on Having Moral Values

ETHICAL STATEMENTS	Number of Firms	(%)
• Behaving Accordingly to the Principles of Business Ethics	19	54.3
• Business Ethics Principles Being A Base for Company Life	4	11.4
• Having Ethical Values	3	8.6
• Behaving Under Business Ethics Rules	3	8.6
• Other	6	17.1
TOTAL	35	100.0

4.3.2.6.2. Transparency

Transparency is generally related with communication. The approaches on the subject can be seen in Table 37. According to the Table, 18 (%64.3) on "creating a transparent environment", 6 (%21.4) on "being transparent in administration", and 2 (%7.1) on "being transparent to shareholders, employees, partners" and "being a transparent and open institution to media" have been obtained.

Table 37: Statements About Transparency

ETHICAL STATEMENTS	Number of Firms	(%)
• Creating a Transparent Environment	18	64.3
• Being Transparent in Management	6	21.5
• Being Transparent to Shareholders, Employees & Partners	2	7.1
• Being a Transparent and Open Institution to Media	2	7.1
TOTAL	28	100.0

The total of 28 companies had mentioned "transparency" in their documents, 21 (%75.0) of them are found in industry and 7 (%25.0) in service sectors. The sub sectors are 3 in cement, 3 in weaving and 3 in brewery. 21 of them are found in philosophical and 7 in annual reports.

4.3.2.6.3. Honesty

Ethical behavior in general includes being honest and sincere with other people. People's life must be built on honesty. Honesty is a wide subject and generally relays on people keeping their promises. The statements on the subject can be found in Table 38. The most frequently used statement is "being honest" with 6 (%21.4) observations, after comes; "following the honest work principles" 5 (%17.9), "being honest to shareholders" 3,

"never giving up from honest behavior principle" 3 (%13.6) and etc. As a total of 22 firms mentioned the subject, 16 of them are in industry and 6 in the service sector. Sub sectoral distribution does not have a significant distribution. 21 mentioned in philosophy and 1 in annual report. In other words, the concept is found especially in vision, mission and values. Only one firm mentioned its targets in its annual reports as "quality, customer satisfaction, honesty and open to new innovations"

Table 38: Statements on Honesty

ETHICAL STATEMENTS	Number of Firms	(%)
• Being Honest	6	27.3
• Being respectful to the Society	5	22.7
• Being Honest to Shareholders	3	13.6
• Never Giving up Honest Behavior Principles	3	13.6
• No Sacrifice from Honesty	2	9.2
• Other	3	13.6
TOTAL	22	100.0

4.3.2.6.4. Respect to Individuals

Statements about the subject include: "being respectful to the society", "Respecting Human Under Management Comprehension", "protecting human rights", "loving individuals" and "giving priority to human and knowledge". As can be seen in Table 39, the observations obtained in these categories are 7, 4, 3, 2, and 2, respectively.

Table 39: Statements on Respect to Individuals

ETHICAL STATEMENTS	Number of Firms	(%)
• Being Respectful to the Society	7	33.3
• Respecting Human Under Management Comprehension	4	19.1
• Protecting Human Rights	3	14.3
• Loving Individuals	2	9.5
• Giving Priority to Human and Knowledge	2	9.5
• Other	3	14.3
TOTAL	21	100.0

21 firms have made comments on the subject; 14 of them are from the industry sector and 7 from the services sector. 4 of the service firms are

holding companies. The subject is mentioned more frequently in service sector philosophy documents. 16 of these firms mentioned the subject in philosophical documents and 5 of them in annual reports.

4.3.2.6.5. Trustworthiness

Trustworthiness is one of the main values of the ISE. Lack of trust will narrow the limits in trade therefore it is one of the main ethical principles and very important feature in global world.

Being "trustworthy" is expressed in such sentences: "Cooperation with the entire environment based on trust", "being trustworthy", "Creating a reliable environment", "A stable and a reliable growth", "never give up from trust principles".

As it can be seen from the Table 40 the mostly used statement is the first one 8 (%40.0) out of 20 had used it.

Table 40: Statements on Trustworthiness

ETHICAL STATEMENTS	Number of Firms	(%)
• Cooperation with the Entire Environment Based on Trust	8	40.0
• Being Trustworthy	5	25.0
• Creating a Reliable Environment	3	15.0
• A Stable and a Reliable Growth	2	10.0
• Other	2	10.0
TOTAL	20	100.0

16 (%11.2) of the companies are found in the industry and 4 (%8.2) in the services sector. 17 give information on the subject in philosophical documents.

4.3.2.6.6. Respect

The term indicates companies that they must be respectful to individuals in addition to make an effort to gain respect too. The approaches on the subject are given below. These are "being respectful to yourself", "being a respected institution", "adopting prestige principle", "being among the most respected companies" and "represent the respect". 4 (%33.3) companies mentioned the first statement, 2 (%16.7) firms in each mentioned "being a respectful company" and "represent the respect". The distribution is given in Table 41.

Table 41: Statements on Prestige

ETHICAL STATEMENTS	Number of Firms	(%)
• Being Respectful to Yourself	4	33.3
• Being a Respected Institution	2	16.7
• Adopting Prestige Principle	2	16.7
• Other	4	33.3
TOTAL	12	100.0

There are 12 companies, which had statements on the subject; 8 (%5.6) from the industry sector and 4 (%8.2) from the services sector. 5 textile companies and 3 holding companies mentioned the subject. Equal distributions (6) are found in document types.

4.3.2.6.7. Strength in Principles

In general, "strong principles" expresses clear and continuous, in other words inevitable principles. 5 from the industry and 4 from the services sectors; as a total of 9 companies had statements on the subject.

4.3.2.7. Findings Related with Public Approach

The statement on "public approach" shows the responsibilities of the companies, which trade on the ISE to the public. These statements are evaluated under ethics and divided into 6 parts. These are:

- 1- Contribution to the society
- 2- Social and cultural facilities
- 3- Obeying laws
- 4- Bringing power to the economy
- 5- Patriotism
- 6- Obeying traditions
- 7- Having good relations with the state

Also in companies, by taking into account the sectoral and geographical distribution of companies traded on the ISE, relations with suppliers are related to ethical statements.

Among the subjects mentioned, 68 (%35.4) on "Contribution to the society", 49 (%25.5) in "social and cultural facilities", 38 (%19.8) in "obeying the laws", 36 (%18.8) on "bringing power to the economy", 29 (%15.1) on "patriotism", 23 (%12.0) in "obeying the traditions", 7 (%3.6) in "relations with the state" and 12 in "satisfying the suppliers" subject was written in official documents. In Table 42, the distribution according to the fields can be seen.

Table 42: Distribution of Ethical Statements According to Public Approach

ETHICS FIELDS	Statement	(%)	No Statement	(%)
Contribution to the Society	68	35.4	124	64.6
Social and Cultural Facilities	49	25.5	143	74.5
Obeying Laws	38	19.8	154	80.2
Bringing Power to the Economy	29	15.1	154	80.2
Patriotism	29	15.1	163	84.9
Obeying Traditions	23	12.0	169	88.0
Good Relations with State	7	3.6	185	96.4
Suppliers' Satisfaction	12	6.3	180	64.7

4.3.2.7.1. Contribution to the Society

The subject is expressed in such ways: "improving the country's economy", "improving the life standards of the society", "Serving human and nation", "Contributing to public development", aiming to add power to Turkish society" and "creating values in high standards".

In Table 43, the statements used above are shown. According to this, the first statement is mentioned by 31 (%45.6) companies, 12 (%17.6) companies in each, mentioned "improving the life standards of society" and "service to country and human".

43 (%43.4) of these are from philosophy and 19 (%25.7) of them are from annual reports. In 6 companies even though they had no written documents, since the holding companies which they work for include information on the subject in their vision, mission or values, they are added to the evaluations. So a total of 68 companies had explanations on contribution to the society. As sub sectors, textile and food are most common ones.

Table 43: Statements on Contribution to the Nation (Public)

ETHICAL STATEMENTS	Number of Firms	(%)
• Contribution to National Economy	31	45.6
• Improving Life Standards of Society	12	17.6
• Serving Human and Nation	12	17.6
• Contributing to Public Development	6	8.8
• Other	7	10.4
TOTAL	68	100.0

4.3.2.7.2. Social and Cultural Facilities

Social and cultural facilities usually have these approaches. These are "contributing to cultural and art life", "making charities in education and health fields", "making facilities on social and cultural facilities", "protecting cultural heritage" and "granting sport facilities".

As it seen in Table 44, mostly used statement is "contributing to culture and art life" with 27 (%55.1) companies and 9 (%18.4) on " making charities in education and health matters".

Table 44: Statements about Social and Cultural Activities

ETHICAL STATEMENTS	Number of Firms	(%)
• Contributing to Cultural and Art Life	27	55.1
• Making Charities in Education and Health Matters	9	18.4
• General Engagement in Social and Cultural Activities	3	6.1
• Protecting Cultural Heritage	3	6.1
• Granting Sport Facilities	3	6.1
• Other	4	8.2
TOTAL	49	100.0

The above data is mentioned by 49 companies. 29 of them in philosophical, 17 in annual group documents. When sectoral distribution is checked; 32 of them belong to industry and 17 to the service sector. Social and cultural facilities were considered significantly by service sector ($p=0.01076 \leq 0.05$, %95, sd.1). Within services sector; banking (5), investment (4), holding (4) and insurance (3) sectors; in the industry sector, cement (5), brewery (5) and textile (5) are the pioneering sectors.

4.3.2.7.3. Obeying Laws

Companies' harmony with laws is under ethics concept. Societies firstly expect the companies to obey the laws. Even though it is a must to obey the rules for the companies, saying that they will obey the laws have ethical indications.

This subject is expressed in the same statements. These are "behaving according to the laws" and "belief in a jurisprudence state". There are 35 (%92.1) companies, which state the former and 3 (%7.9) companies express the latter statements. Table 45 shows the distribution.

Table 45: Statements on Obeying Laws

ETHICAL STATEMENTS	Number of Firms	(%)
• Behaving According to the Laws	35	92.1
• Belief in a Jurisprudence State	3	7.9
TOTAL	38	100.0

From the 38 sectors, which express that, they will obey the laws; 30 of them are from industry sector. 5 companies are included according to their holding's related explanations. Obeying the laws subject is significantly ($p=0.00257$) found under philosophy group documents of 26 (%31.0) companies. 9 (%12.3) companies included the subjects in annual reports.

4.3.2.7.4. Patriotism

The statements on this subject are "accepting service to Turkey as a holy duty", "Working for Country and Nation" and "loving Turkish Republic".

The distribution can be seen in Table 46. The first statement is the mostly used one, used by 24 (%82.8) companies.

Table 46: Statements on Patriotism

ETHICAL STATEMENTS	Number of Firms	(%)
• Accepting Service to Turkey as a Holy Duty	24	82.8
• Working for Country and Nation	4	13.8
• Loving Turkey and Republic	1	3.4
TOTAL	29	100.0

There are 29 documents on the subject, 15 is in vision, mission or values, 11 of them is in annual reports. 3 companies are included according to the companies they work under. Out of 29 companies, 21 are from industry and 8 from service sector. The ones, which make explanations on these subjects, are mostly the holding companies

4.3.2.7.5. Being Conventional to the Traditions (Obeying Traditions)

"Being Conventional to the traditions," points out companies to stick to the traditional characteristics of the district that it is functioning. The statements on the subject are generally connected with societies' values.

The statements and their distributions about the subject are given in Table 47. The common statements found in documents are as follows; "respect for national and moral values", "sensitiveness for national cul-

ture" and "working for religious values". The first statement is used by 7 (%30.4) companies, second by 6 (%26.1) and the last one by 4 (%17.4) companies.

Table 47: Statements on Being Conventional to the Traditions

ETHICAL STATEMENTS	Number of Firms	(%)
• Respect for National and Moral Values	7	30.4
• Sensitiveness for National Culture	6	26.1
• Working for Religious Values	4	17.4
• Other	6	26.1
TOTAL	23	100.0

There are 23 companies related to the subject as seen from Table 47. 17 (%11.9) of them are from industry and 6 (%12.2) of them are from the services sector. The subject is used in 11 philosophy documents and 9 annual reports.

4.3.2.7.6. Relations with the State

There are 4 companies, which has statements on the subject. These are "opposing to those who are against the state", "having good relations with state", "respect the state" and "being beneficial for public authority".

Table 48: Statements on Relations with State

ETHICAL STATEMENTS	Number of Firms	(%)
• Opposing to Those Who are Against the State	4	57.1
• Having Good Relations with State	1	14.3
• Respect for State	1	14.3
• Being Beneficial for Public Authority	1	14.3
TOTAL	7	100.0

Four industry and 3 service sectors; as a total of 7 companies are found. 5 of them mention the subject in their annual reports.

4.3.2.7.7. Satisfaction of Suppliers

The suppliers are those, which provide goods and services for others. The firms have some responsibilities for their suppliers. The principles put forward for the suppliers are ethical. Even though this subject has to be analyzed under another title, having 12 firms mentioning about it forced the study to analyze it under public approach title.

Table 49: Statements about Supplier Satisfaction

ETHICAL STATEMENTS	Number of Firms	(%)
• Supplier Satisfaction	4	33.3
• Cooperation with Suppliers	2	16.7
• Other	6	50.0
TOTAL	12	100.0

The expressions found on the subject can be seen in Table 49. These expressions are "satisfying suppliers" 4 (%33.3), "being in cooperation with suppliers" 2 (%16.7), and "other" 6. There are 12 firms stating the subject of whose statements are from industry sector and 10 of them are found in philosophy and 2 in annual reports.

4.3.3. Statements of Ethical Concepts Correlated with Demographical Characteristics

The ethical analysis and demographical relations of the firms traded on the ISE have been studied. According to these, firms' date of establishment, number of staff and market values are taken into account. Also, having a ISO certificate has been studied in terms of whether it affects the explanations of the firms under ethical behavior.

36 classified ethical statements have been taken into account in order to analyze their relation with date of establishment, number of staff, market values and ISO certificates at 95% level of significance for Pearson Correlation Test. Table 50 provides correlation coefficients and their significance levels together with total number of firms (N=192) to be tested. Although 192 firms were analyzed, some of them did not provide any information. Therefore "N" indicates the number of firms that have provided information and their demographical characteristics are analyzed. In the analysis, since the confidence level was accepted at 95%, in the Table $p < 0,05$ results are accepted and $p > 0,05$ results are rejected. The bold characters show the result, which was found significant. Also, in order to find the direction and the level of significant relations, Pearson coefficient is checked.

As mentioned before, there are 36 fields to be tested and to be compared with structural characteristics of the firms. As a result of the comparison, the following results were found significant:

- With Date of Firm's establishments
 1. Respect to human
- With personnel numbers
 1. Employees satisfaction

- 2. Recycle
 - 3. Consciousness about environment
 - With market values
 - 1. High quality production
 - 2. Product reliability
 - 3. Employee satisfaction
 - 4. Transparency
 - 5. Obeying laws
 - 6. Patriotism
 - 7. Stick to the traditions
 - With ISO certificates
 - 1. Zero-mistake production
 - 2. Service after distribution and sale
 - 3. Union relations (-)
 - 4. Improving the consciousness about environment
 - 5. Respect for human (-)
 - 6. Trustworthiness (-)
 - 7. Contribution to the public
 - 8. Satisfaction of suppliers
- have significant relations.

Table 50: Correlation Coefficients and Significance Levels of the Relations between Demographical Characteristics of the Firms Traded on the ISE and their Ethical Statements

Ethical Contents	Demographical Characteristics of Companies			
	Date of Establishment (N=177) Pearson Coefficient significant level	Personnel Number (N=149)	Market Values (N=181)	ISO Certificates (N=192)
High quality Production	-,075	,062	,186*	,046
	,320	,454	,012	,531
Reliability Product	,003	,001	,143*	,121
	,964	,989	,050	,095
No-Loss/Zero Mistake Production	-,040	,048	-,027	,147*
	,520	,565	,554	,042
Customer Satisfaction	-,039	,124	-,021	,097
	,608	,133	,780	,181

Ethical Contents	Demographical Characteristics of Companies			
	Date of Establishment (N=177) Pearson Coefficient significant level	Personnel Number (N=149)	Market Values (N=181)	ISO Certificates (N=192)
Customer Relations	-,012 ,872	-,070 ,395	-,082 ,272	,060 ,408
Consciousness of Consumers	,030 ,692	,019 ,815	-,005 ,949	,089 ,220
Service After Distribution and Sale	-,055 ,465	,079 ,337	-,017 ,818	,139* ,051
Regular and satisfactory Profit For Shareholders	,055 ,464	-,031 ,708	-,021 ,781	-,003 ,970
Being Honest and Fair to Shareholders	,015 ,847	,079 ,335	-,031 ,679	,033 ,648
Effective/ Low Cost Production	,032 ,668	-,072 ,382	,044 ,555	,064 ,375
Appreciating Employees	,012 ,873	-,046 ,580	,012 ,872	-,076 ,292
Creating a Happy and Healthy Environment	,056 ,462	-,116 ,160	-,067 ,368	-,095 ,192
Education of Employees	-,017 ,822	,003 ,973	,130 ,080	-,008 ,914
Satisfaction of Employees	-,066 ,384	,167* ,042	,205* ,006	,091 ,210
Communication with Employees	-,062 ,414	,002 ,985	,053 ,475	,017 ,811
Career Opportunities for Employees	-,028 ,711	-,118 ,153	,032 ,664	-,085 ,240
Financial Ability of Employees	,109 ,147	-,046 ,578	-,039 ,603	-,132 ,068
Cooperation Among Employees	,041 ,588	-,086 ,296	,003 ,968	-,029 ,687
Union Relations	,041 ,592	-,089 ,281	-,017 ,818	-,146* ,043
Protection of Environment and Nature	-,053 ,488	,057 ,491	,080 ,286	,119 ,100

Ethical Contents	Demographical Characteristics of Companies			
	Date of Establishment (N=177) Pearson Coefficient significant level	Personnel Number (N=149)	Market Values (N=181)	ISO Certificates (N=192)
Recycling	-,047 ,538	,303* ,000	,029 ,700	,063 ,386
Increasing Environment Cons.	-,032 ,672	,184* ,024	,031 ,681	,142* ,049
Having Moral Values	-,061 ,418	-,048 ,557	,099 ,184	,013 ,863
Transparency	-,011 ,880	,000 ,995	,193* ,009	-,047 ,519
Honesty	-,003 ,972	-,082 ,318	,033 ,660	-,059 ,419
Respect for Individuals	,156* ,038	-,135 ,101	-,039 ,602	-,158* ,029
Trustworthiness	-,025 ,745	-,142 ,084	-,004 ,958	-,150* ,038
Respectfulness	-,048 ,523	-,018 ,825	,104 ,165	-,029 ,687
Strength in Principles	,065 ,392	,001 ,988	,137 ,065	-,024 ,745
Contribution to Nation	-,052 ,495	,058 ,482	,133 ,075	,144* ,047
Social and Cultural Activities	-,141 ,062	,115 ,161	,141 ,058	-,021 ,774
Obeying Laws	-,033 ,660	-,004 ,959	,178* ,016	,129 ,075
Patriotism	,034 ,649	-,030 ,719	,169* ,023	-,087 ,228
Obeying Traditions	,085 ,261	-,001 ,990	,168* ,024	-,033 ,648
Relations with State	,105 ,166	,013 ,874	-,036 ,630	-,067 ,353
Supplier Satisfaction	,049 ,518	,135 ,100	-,029 ,702	,158* ,028

* p ≤ 0.05

4.4. Evaluation of Research Results

Findings of the research are evaluated according to their presentation under 6 main business functions: These are production, marketing, finance, human resources, environmental protection, and general management which is divided into two parts; general cooperation principles and public approach.

4.4.1. Evaluation upon Production Function

The ethical statements on production are; high quality production, product reliability and no-loss production. 46 (%63.01) out of 73 firms have information in their philosophical documents about "quality in production". These firms give great importance to the subject in their vision, mission explanations or in business values. High quality production is the most frequently mentioned subject of the companies traded on the ISE.

The firms' sectoral structures show no differences in their approach to high quality production. But in service sector, generally it is expressed with the statements such as "the best" or "the highest". But in industry sector, the statements are expressed in plain expressions. Since service sector firms produce abstract products, they use the words "the best" and "better than" in their expressions. Whether it is a service or industry sector, high quality production has explanations towards principles in production. The companies say that they will follow this statement in production and has responsibilities towards their consumers. For this reason, providing high quality service or product and continuously making it better are under ethical responsibilities.

No-loss or zero mistake production is important for using the resources efficiently. Efficient use of resources, minimizing the loss of time and raw material or zero-mistake production are the principles of business. These aims will provide efficiency in companies and add value to national economy.

In the service sector companies, in place of no-loss production they use the expression of "zero mistake production". But service sector companies, as it is in the trustworthiness of product, they do not pay attention to zero mistake product, whereas in service sector companies, the service provided with minimum mistake or zero mistake must be the aim. Service sector companies have to pursue their customers that they will not make any mistakes. This is a responsibility of companies towards their customers.

One last common point in which the companies mention is the relia-

bility (trustworthiness) of the products. Trustable or reliable and hygienic products have to be supplied. Even though the subject comes as one of the main subject, only 14 firms mentioned it out of 192. Specially in food sector, which is directly related with human health, the subject is not dealt enough while it is expected to take place in vision and mission explanations.

4.4.2. Evaluations upon Marketing Function

Marketing concept can be evaluated as customer satisfaction, communicating with customers, making the consumer more aware, service after distribution and sale.

Customer satisfaction is one of the mostly used statements in the ISE. The firms put down their slogan of "customer is our blessing" as to the satisfaction of the customers. This slogan shows the importance that companies give because it is like a trademark statement on Turkish trade life.

In recent years, the statement "customer is our blessing" have been used in different several words but in the same meanings. Only a firm is stating the concept in business values: "customer needs always get the priority".

The satisfaction of the customers is basically used in mission and vision statements. The most often used statements upon companies' strategies are used in philosophical group documents. "Communication with customers" subject is considered as a continuous communication subject. Statements are included in the marketing functions, and then turned to the satisfaction of and communication with customers. It is mainly pointed out in philosophical group documents by many statements.

In the approach of customers' communication with companies, especially the customers' needs and wishes are important to be feasible. In the consumer side, service after sales, complains about the products should be possible. The subject is considered under cooperation with the customers by being sensitive to them (%87.5). So this is the ethical way of company responsibilities.

Companies have ethical responsibilities towards protection of consumers as well as in communications. The subject is the third one among the companies traded on the ISE within the marketing function. The subject of protection of consumers or informing consumers is mostly important in the food sector. 7 of 11 firms have mentioned the subject in their documents. It is expected for the food sector to further prioritize the subject. However, 7 companies having this approach is a positive sign.

The service sector does not sufficiently include the subject of informing the consumers. The subject is only mentioned in insurance firms. This is to make individuals more aware towards insurance. But on the other hand, the consumer knowledge on the consumer rights is important. When the consumer buys a product or get a service, the firms have the responsibilities to transform these rights to them. The consumers must firstly be informed about the product they buy. They have to be presented about the product, the content and must be provided a usage guide. The consumers have to be informed on these rights if in case there are any complaints.

13 firms deal with the subject of service after distribution and sale. The subject is included in their annual reports. It is evident that companies did not mention the subject in their vision and mission explanations. So strategic approach to the subject is not achieved.

Providing service after the sale is important in answering the claims of the consumers. The firms give importance to the consumer complains in after-sale service. When the subject is compared with the communication with the customers, there does not seem any significant relationship. This gives birth to the fact that companies give importance to the communication during the sales or before the sales.

4.4.3. Evaluations upon Financing Function

There are three basic subjects mentioned about the financing function of the firms in ethical ways. These are; providing profit to the shareholders, being honest to shareholders, and having low cost production. The subject is generally towards shareholders. Because shareholders must supply services for companies and also the companies must do the same for shareholders.

People who have speculative expectations apart from profiting buy the shares of the firms traded on the ISE. So the firms should make profit, which depends on an order and level. As a firm explained, there is no ethics in continuously increasing rate of profit. Because in the long run it has negative effects on the firms' continuity and informing consumers.

Companies simply accept the subject as gaining a profit. The desire towards shares is affected by the firms' explanations about their profits (%66.0). However, 108 firms have not mentioned the subject, which is not ethical out for investors and consumers. In ethical ways, it is expected to reveal the strategy towards profits. By doing so it will inform the external participants and the shareholders will be evaluating whether the profit will be continuous and satisfactory.

Effective/low cost production is evaluated in the subject. The managers have the responsibilities to keep the costs lower. The subject also covers the consumers. It would have been better if it is evaluated under another title. It is an ethical responsibility to reach low cost financial sources, since this annual is positive for shareholders.

The third topic analyzed is to be honest and trustful towards shareholders, which is also ethical. It is very important to inform the existing and potential investors about the financial reports of the firms. The firms must promise to be honest and trustful to shareholders. Only 8 firms pointed out this matter. The subject is considered in the statements such as protecting the rights of shareholders.

4.4.4. Evaluation upon Human Resources Function

The human resources function is evaluated according to creating happy environment, satisfaction of company managers, communication of managers, carrier opportunities, financial opportunities, cooperation among managers and union relations.

Appreciating employees is the mostly worked subject among all classifications. The popularity of classifying human resources shows the importance exerted upon the topic. Some of the firms (%28.4) use the same terminology as a heading. Others use different terminology for importance that they give to the subject. The statements of firms (%83.4) are in the philosophical group documents. It can clearly be seen that service sector is closer to the topic when examining the sectoral distribution of the companies. The reason for this is because of the importance given to human issues.

The focal point of ethical theories examined in this work is the human being. It is not possible to discuss the approach whether it is ethical or not if it does not deal with the human being.

The firms are responsible to provide the employees a happy and healthy environment. Creation of happy and healthy environment is rated second on the subjects, which are dealt. A lot of evidence have aroused upon the subject. "To create the best and the most productive workable environment and space" statement clearly shows the ethics. Human resources is a bigger issue for the service sector companies rather than industrial companies. This is due to the typology of the service itself. The service can be done, in other words, there is a possibility of affecting the organizational climate and physical conditions of the receivers. Therefore, the companies in service sectors have taken this into account more seriously.

The education of employees is the third important issue for companies. The companies have put forward the importance of education by stating that companies focused on advancements. By finding ways to renew itself, businessman will be able to be more useful for the community, himself and the company. The third dimension of the subject shows the responsibility of the company.

There is a significant relationship between education and sectoral differences. In other words, the documentation of education changes in industry and service sector companies. The service sectors of the companies traded on the ISE emphasizes more on educational compared to industrial sectors. As mentioned above, this is due to the of effect human factors on service sectors.

Ethically, the businessman's satisfaction is just as important as customer's satisfaction. This is not stated in the companies' documentation. The statements (%58.3) are mostly as simple or plain as possible. The meeting of employees' demands is only in 2 firms' statements. Ethically, the most important statement is to satisfy employees and increase their satisfaction.

The communication with employees is ranked fourth on the importance list of 28 firms. The communication in organizations are mentioned in both written and verbally. Ethically thinking, the important thing is that firstly the communication should be in both directions. And secondly it should be honest and open. 22 firms have approached strategically in the stock market by philosophical group documents. It is possible to say that 21st century is information age and not enough number of companies has paid attention for this subject.

Employees should have equal career opportunities. This is dealt by a very small number (17) of companies. And those who do, only deal with vision wise, mission wise and value wise. The firms stated that the employees would have equal opportunities career wise.

The monetary sufficiency of employees is discussed in every field in our country and sometimes debated strongly. Generally, employees' contribution to the production should be parallel to the share derived from the production. At this point, the employee satisfaction and unequal distribution of income among the employees could be prevented. Wages and social funds should be in line with employees' targets and corporation targets.

The monetary position of employees is ranked seventh in the ethical human resource statements of the firms. The topic is dealt more thor-

oughly by the ISE service sector companies. This reveals the importance of human being in the service sector.

The cooperation among employees is related with the structure and function of the organization together with reflecting the dimension of organizational climate that differs from communication and employee satisfaction. The management is responsible for respect, love, and cooperation among employees. The firms should approach teamwork more carefully. There were no statements upon the cooperation among employees even in the companies that claim to provide this according to the documentation. Those firms simply claim to mention cooperation among the employees. Especially, the cooperation and agreement should be a business value of those firms aiming teamwork. These firms, apart from one, are industrial firms. In turn, industrial firms pay more attention to employee cooperation.

The statements of companies about union relations are very limited. Three different establishments mention the subject. Not taking the subject into account is considered in the way that companies or managers' realize unions. Most of the stakeholders have different opinions about the structure and functioning of unions. As the positive image of the unions in improves their effects on the public will increase.

4.4.5. Evaluation of Environmental Protection Functions

The firms' statements on protection of environment are of three approaches. The first approach of "protection of environment and the nature" reveals the general approach. But in order to state the other two dimensions of protection of the environment, "returned benefit" and "consciousness about environment" is considered separately.

39 firms have documented environment and nature protection statements. The subject is generally explained to the public as respect to human and the nature. Only 2 firms have environmental protection programs. When considering sectoral distribution, the industry sector pays more attention to the subject than the services sector. These include textile, brewery, automotive and iron-steel sectors. It is possible to see the subject of environmental protection in philosophical group documents (%35.7).

The firms should respect the nature not only within the context of production. The respect towards environment should continue in the process of usage of products by customers. But we should not forget that there exists a balance between protection and usage.

The recycle is an issue that should be dealt by industrial companies which creates an important dimension in the protection of the environment. It is the responsibility of the firms to recycle and re-use the waste product to benefit economically. 4 companies have paid attention to this topic. But only 2 of them are interested in recycling waste.

Another ethical responsibility of companies is to be consciously aware of environmental factors. Companies should help and support those who are conscious about environmental issues, in addition to the environment around them. There are 4 firms that approach the subject by this method in the ISE.

4.4.6. Evaluation of General Organizational Principles

General principles have been set out for individuals, occupational groups or corporations under the heading of "general organizational principles". Considering the companies traded on the ISE, 7 general statements have been found. These are; moral values, transparency, honesty, respect for human being, trustworthiness, respect and strength in principles.

This study came up by the companies or their managers needed to have moral values or ethical principles. In line with this, there was the problem of usage of these values by managers in an effective manner. But according to the research, most of the companies did not put forward values or principles under this heading.

As can be seen, the companies contacted have pointed out moral values. It is a positive point that the subject is classified under the stated classification. It can be accepted that companies' trade deals can form moral values that they will follow. But the problem starts here: "which values? "

Therefore, the companies must state the values they will follow verbally and in written formats. Only one bank out of 278 companies traded on the ISE has prepared a booklet titled "Our Business Ethics". It is not enough for the company to state only that they possess and carry out moral or ethical values. The companies must present these values to the public both in written and officially.

Transparency is the second subject to be dealt with. The concept is, as stated earlier, has to do with communication. The company managers are not confident with the transparency principle as negative thoughts might arouse against them. The companies approach the idea by creating a transparent environment. But transparency against all shareholders' views should be inevitable. The statements of transparency are the second rated issue due to the globalization of trade relations. In recent years in our

country, due to the public pressures on state organization, organizations are under close inspection of the public.

Honesty is very important for both companies and managers of companies. Generally it states to keep the promises. Companies must keep their word just as an individual. The companies must keep to their promise in written format. 22 companies have tried to make this promise. The firms have to state that honesty is a value or a principle for them. All of the firms except for one of them have a place in the philosophical group documents. In turn, companies that take honesty into account see the subject as company strategy, mission, vision and values.

Respect to human is necessary just because of being a human. The persons affected by companies have the right to be respected. It is the fourth important value in classification of general organizational principles. The firms especially state that the community should be respected. Services firms mention the subject much more due to the human factor's importance.

As trade relations rise and relations get more complex, the importance of "trust" concept rises. There is a sensitive balance in the business life especially for the ones in the stock market. The trustable companies can be more powerful by trustable relationships. The subject is very sensitive for the companies in the stock market. But some companies' approaches reflect that they try to team up by depending on trust, while others display vision, mission and produce trustful merchandise. In fact the concept is more often used by industry sectors.

Actions towards being a respectful establishment are contained in ethical concept. It is an ethical concept that companies are trying to prove that they are respectful. According to this concept, the companies should start first by respecting themselves. 8 firms have stated this towards being a respectful company. "Strength in principles" is a subject only dealt by 9 companies and shows an equal distribution. Naturally, companies that cannot or would not put forward the principles cannot be expected to execute these principles.

4.4.7. Evaluation Upon Public Approach

"Public Approach" titled statements of the companies involves pointing out responsibilities towards the public. As mentioned in the findings, there are 7 different classifications such as social and cultural activities, contributing to the public, obeying the laws, reinforcing the economy, patriotism, sticking with the traditions, state and supplier relations.

There are 68 firms which state that it contributes to the community. The subject finds itself under "to contribute to the national economy". Also there exist approaches towards rising standards of the nation and serving the nation. There are those that state to provide profit by taxes paid. All the activities carried out by the companies traded on the ISE surely provide profit to the countries' economy. At this point, the environment, which is not directly affected by activities, is noticed by companies. The firms have responsibilities towards the public. It is not enough to state taxes paid by the firms in the annual reports. The firms must also state in written that they will or have paid taxes completely and correctly. Because there is an ethical vision about it.

The social and cultural activities of the firms also contribute to the community. But the target population in those activities are clearer, so there has been a classification about it. The public responsibilities are the second most mentioned subject. Firstly mentioned topics are culture, art, education, health and sporting areas. The statements exist in those firms providing free services. The firms conduct these types of services more in the areas in which they were established. In other words, social and cultural activities for certain part of country are given priority. The firms are expected to pay more attention to the places where they conduct activities.

The service sector pays more attention to the topic than the industry sector. As a conclusion, public approaches of banking sector and holding companies' activities are effective. Also, the insurance companies working with the banks also affect the outcomes.

Among the responsibilities towards the community "obeying laws" is ranked third. There are 38 firms that have stated in a written manner that they will obey the laws and that they have faith in the state laws. The companies should obey the laws of states. But there is a different meaning to this. All the firms are promising to obey the laws, this shows the importance of laws for them.

The subject of obeying laws is included in the philosophical group documents. This situation shows that the firms, defining their vision, mission and values, will be obedient to laws. The company strategies are also redirected to obey the laws.

Some of the firms (23) promise to obey laws as well as the traditions of the community. This shows the respects of companies towards the moral and national values of the country.

29 statements are made for the patriotism. This is a valuable statement for companies. This is mainly expressed by Holding's head quarters and

indicates that country's benefits will be respected in international trade. This means that if the companies' activities towards profits hurt country values, they will not do it.

The least dealt subject in the community approach is the relation of companies and suppliers. All the companies that deal with this are in the industry sector. This shows that both industry and service sector gives importance to relationship with suppliers. This is a result of companies' power. Powerful companies do not care about the relation with suppliers. Suppliers must obey the rules of those companies.

4.4.8. Evaluation of the Ethical Statements about Demographical Characteristics

The relationship between ethical statements of the firms traded on the ISE and their documents such as the establishment year, number of staff, market values and ISO documents have been studied. In these analysis, Pearson Correlation analysis has been used at 95% confidence level that is shown in Table 50. There are 144 relationships in this Table. 19 of them have been found as significant at 95%. Also there has been possibility to determine the degree and the direction of these correlations.

4.4.8.1. Establishment Year

The relationship between the establishment year and the ethical statements of the firms has been examined. When the results are evaluated it can be seen that 36 ethical groups state the respect for human being, which has a direct relation with the year of establishment. The year of establishment does not affect, whether new or old, the ethical statement. Only the respect for human statements is affected by the year of establishment.

The positive correlation coefficient between the year of establishment and respecting human is 0.156. So, the older the establishment, more respect to human being is shown. But the relationship is weak. In other words, in recent years, companies did not show attention to respect to humans. The new establishments concentrate on social and cultural activities rather than relationship ($p= 0.62 \geq 0.05$). This relationship's existence is accepted at 90% confidence level.

4.4.8.2. Number of Personnel

There is a three dimensional relation with ethical statements and the number of staff. These are; satisfaction of employees, recycle and increase of environmental awareness.

The relation of environmental awareness and the number of staff is more clear when the functions of companies are taken into consideration. The subject is not as broad as the protection of environment or protection of nature but rather recycle and consciousness towards environment. Both relations are positive. There is a relation between increasing the number of staff and recycle; and there are statements in the documents accordingly. This means, if number of staff increases, the topics that are dealt with increases, if decreases, then recycle and statements on consciousness of environment will decrease. There is a direct relationship between recycle and the number of staff. Both the number of staff and recycle are more dealt with by bigger companies.

There is also a relation between the number of staff and the statement towards employees' satisfaction. The coefficient of positive correlation is 0.167. The satisfaction of employees gains more importance when number of staff is increased. Companies who have less staff do not deal enough with them. The relationship is weak but it becomes important when the human resources discrimination is popular. When companies have large number of staff the need arises to deal with these topics. Because skilled workforce is an important factor.

4.4.8.3. Market Values

There is a direct relation between seven different fields and market values. These are; quality in production, reliable product, employees' satisfaction, transparency, obeying the laws, patriotism and traditions. When the negative relations pertaining to ISO documents are not taken into consideration, the market value is the most important ethical statements. In other words, demographical characteristics in the research are the most important cause for market value to come out in statements within the content of ethics. The quality of ethical statements rises with the increases in market values.

In the research, as it is widely used in the ISE, the currency basis for the market values is US \$. The same scale is used throughout the research. There is a relation between production function and companies' market values according to the function of companies. Market values are related with the reliability of product and product quality. As the correlation coefficients can be seen in Table 50, coefficient for high quality production is 0.186, for reliability of products is 0.143. The relations are positive but degree is weak. The logic behind positive coefficients is; as market values increase, statements on high quality production and reliability of products

will be included in their documents.

As market value of the firms decreases, statements on quality and reliability of production are not included in the reports by explanation of vision, mission and values.

There is only a proper relationship between market values and transparency within general organizational principles. The relationships are parallel but weak, and in turn companies feel more transparent as market values rise. Because the structure and function becomes more complex, it becomes difficult to get in touch with higher ranked managers and creates flash news in the public view. So, they take transparency very seriously.

There is a direct relationship between obeying laws, obeying traditions and patriotism, and statements of companies towards public responsibilities. Relations are parallel but weak. Statements upon laws and traditions are used generally together. Companies, which say that they will obey the laws, also state that they will obey traditions. These statements are revealed as market values of the firms increase. It is important to mention these subjects as big and powerful companies act as examples for others. At the same time, they give a message to small firms that they may get bigger by obeying the laws and cultural values.

4.4.8.4. ISO Documents (certificates)

The contents of ISO documents have already been mentioned. The ethical statements can be seen in ISO documents. In other words ISO certificates affect companies more in having ethical statements in the documents. There are 8 documents as such. These are; no-loss production, service after distribution and sale, union relations (-), consciousness about environmental issues, respect for human (-), reliability (-), contribution to the public and suppliers' satisfaction.

There is a weak and direct relationship between the firms, which have statements on no-loss/zero mistake production, and the ones that have ISO documents. The ones, which have ISO documents, have approached the subject differently. The point that should be taken into attention is the relation between the ones that have the ISO documents and high quality production or reliability of the products. Research results show that there is no relationship between having ISO document and quality in production or reliability of the products. The meaning is that the other firms, which do not have ISO documents, also have statements on the subject. The difference in having ISO certificate comes out in expressions on no-loss and zero mistake products.

ISO certificates affect the statements in marketing function about the distribution and service after sale. The relationship is weak but in the same direction. So, the companies, which have ISO certificates differs from others in giving importance to the distribution and service after sale. Customer satisfaction comes before everything in most of the companies. Therefore customer satisfaction is more frequently mentioned. So it can be said that ISO certificates have effects on each marketing function.

In the same way, there is a significant relationship between ISO certificates and consciousness about environment of which the correlation coefficient is 0.184. It is a weak relationship. However, having ISO certificates has positive effect on statements on consciousness about environment.

The companies, which have ISO certificate, use their statements about the society as contributing to the public and satisfying the suppliers more frequently. As mentioned before, there are 12 firms, which have statements on satisfying the suppliers. 7 of them have ISO certificates. Since the number is few, a generalization cannot be made. On contributing to the public, those that have ISO certificates especially express their contribution to the economy.

There has been a negative relationship between ISO certificates, union relations, respect to human and trustworthiness. This significantly shows that the companies, which have ISO certificates, did not include any statements on union relations, respect to human and trustworthiness subjects. The correlation coefficient of ISO certificates for union relations is -0.146, for respect to human is -0.158 and for reliability is -0.150. So the degree of these relationships is weak.

The reason behind the negative relationship between ISO certificates and union relations is that 9 firms having statements on union relations did not have ISO certificates. But 7 of them were under one group and this prevents us to get a reliable result.

There are 2 firms, which have written statements about respecting human beings and having ISO certificates. Other 19 firms, which mention the subject, do not have ISO certificates. It can be said that firms that have ISO certificates generally concentrate on customers and employees' satisfaction, which neglect the human factor.

Two firms have ISO certificates and statements on reliability. The other 18 firms do not have an ISO certificate. In other words, only 2 out of 58 firms, which have ISO certificates, mention reliability in their statements. The reason is that ISO certificates have been assumed to state the

quality in production, plant and the service of the companies. That is why the companies do not take reliability as a separate subject.

V. Conclusions and Recommendations

Once having alternative behavior opportunities and chance to select among these alternatives, people will be able to consider events as right or wrong, and good or bad. But there is no simple and global rule about what is right or wrong and good or bad. The same actions or events have different evaluations or approaches on them.

On the other hand, there is a need for an order, which prepares business world life. The legal laws on the subject are not sufficient, especially in our country. To solve this, there is a need for the concept of "ethics" and "business ethics" in companies especially when there are no sufficient laws. The importance of what it is ethics or business ethics is that it means "something". That something's meaning is: "moral".

But companies and their managers always face with difficulties in understanding what is right or wrong in trade relations apart from the legal documents. Therefore the manager has to make the best combination of trade and ethical decisions.

Some principles or rules need to be followed by managers and employees to save the company from subjectivity in their ethical expressions. In general meaning these are ethical codes. Ethical codes, first of all, are important for putting down the aim of the companies. Because, not only the action but also the aim must be in the same way for ethical behavior. To be able to evaluate; the ethical codes have to be written down. Therefore, interest groups can evaluate companies easier. In addition the existence of ethical codes will decrease the level of uncertainty so it will be more trustable.

The main subject in creating ethical codes is the ethical problems faced by companies. Ethical problems have to be put forward according to the business functions not only among upper level managers but also among middle and lower level of managers.

One of the important issues in putting forward the written ethical codes is ethical problem that are experienced by companies. There are some advantages of analyzing ethical codes according to business functions. One of them is the work division or specialization among upper, middle and lower levels of management in ethical responsibility. Another one is to make controlling period work well by specifying the responsibilities of lower levels of management in system approach.

The firm should improve its ethical measures in specifying ethical codes. To do that, the firm should determine real principles or rules by testing and defining them for a long time. More healthy way is to analyze and use the same actions that have been used before. The aim is to avoid surprising the interest groups and themselves by putting forward the whole principles and rules. The next step is to know who will be affected from the actions and how they will be balanced by the companies. Knowing from the beginning who will be affected from what will help choosing the ethical codes. It should not be forgotten that ethical codes are not made of a group of virtuous statements put under each other.

The research has been planned according to the ethical codes that have been mentioned before. The previous researches showed that only the firms, which have foreign roots, had written statements on ethical codes. Therefore the research has been expanded to search on vision, mission, and values under ethical philosophies of the companies. As a research field, the firms traded on the ISE have been selected which are on agenda of the nation by any kind of annual and are effective on creating equilibrium in the market. In addition, the subject was mentioned before in a panel organized in April 1998 by the ISE titled "Ethical Values in Turkish Capital Markets and Study Rules in Business Behaviors". That is why the firms traded on the ISE have been selected.

Only one bank had written ethical codes in a booklet called "our ethical principles" which is a guide for its personnel and employees. Next to this, the documents of some firms are considered as a philosophy group document that evaluates as how the things should be. Especially it is important to analyze the documents of some firms that have gained important prizes in Europe and the World. Additionally, the hand book of a firm called "The Culture of Institution" is very important to show that market values, and demographical characteristics like personnel number are not effective on the determination of company philosophies. The hand advertisement of another firm is a guide that should be studied in reaching interest groups.

It is possible to generate the following in order to be able to analyze mission, vision, values and ethical principles which resulted from the study:

Mission (Reason to evolve): To be a corporation in its field which creates a value for the customers, personnel, partners, suppliers and nation with the help of all employees and personnel.

Vision (Target to be achieved): To be a world leader in its field.

Values (way of performing work): Concentration on customers and quality, appreciating human resources, being proactive and creative, being open to changes and learning, being efficient and profitable, being honest and true to state, customers, shareholders, employees, public, etc., being in good relations with others, obeying laws, traditions and principles of business ethics, being open and trustable, being careful on business peace, protecting the nature and balance within the firm in all of the activities, behaving equal for all the personnel, contributing to social, cultural, sportive and art activities, always being faithful to these values.

Ethical Principles

Production: Aiming high quality product or service, trying to reach better quality in production and producing trustable products, no-loss and non-mistake production, producing hygienic products for health, and creating hygienic conditions in production.

Marketing: To avoid from incorrect, exaggerated, deceived or pressured activities, to avoid manipulation in product, to avoid to put pressure on distribution channel, to create a wide distribution system, to follow a stable and honest pricing policy, to remove all the risk associated with the use of goods and services, to make customers know all the factors affecting their buying decision, to avoid incorrect presentation of marketing researches, to create values for customers by innovative and creative approaches, to give importance for after sale service, to minimize customer complains, to solve complains in a shortest period, to meet consumer wishes completely, creating a wide service network; giving importance to the protection and consciousness of consumer; satisfying customers without any stipulation.

Financing: Meeting the expectations of shareholders, taking precautions for this; being honest and equal to shareholders; realizing and distributing profits required for the shareholders; finding low cost credits and inputs.

Human Resources: Establishing human resource systems so to unite cooperation targets with employee targets; providing such an organizational structure that participation and creativity will be attracted, it will be dynamic, facilitate communication, participation; to support the personal and professional development of employees by personal development plans, to identify business values together with employees' profiles; providing equal opportunities for employees in those subjects; to guide them; to create the environments which would make them associate among

themselves and with their families; to organize social activities; to give priority to employees' health and safety; to promote development every-time by reflecting new technologies and ideas of employees into applications; to motivate all the employees by specific methods: to create the best physical working environment.

Environment: To obey the rules, to follow new technological developments and to improve environmental elements overtime; to protect global sources by planned activities, to apply effective return techniques and to minimize the waste in its sources; to keep the effects of products and production activities on environment under control, to release new investments and projects as sensitive to the environment; to contribute to the consciousness of employees, their families and public about the environment.

Organizational Principles: To have ethical or moral values, transparency, brightness, honesty, to keep promises, respect to human, trustworthiness, esteem, to be perfect, social responsibility, strength in principles, equality, satisfaction in work.

Public Approaches: To be open, honest and trusty in the relationships with the public and legal institutions in every field of activities; to support such activities which play an important role in improving the life standard as education, culture, art, science, sport and health, and to contribute to the consciousness of the public; to share information and experience about perfect work with different parts of nation; to cooperate with voluntary institutions, to contribute them; to take continuity and continual improvement in relationships with the nation; to be in good relations with the suppliers.

The above statements that have been mentioned in general to guide the companies can be improved and adopted accordingly by the companies. But as mentioned earlier, the own characteristics of the companies will be the most important factor on determination of ethical scopes.

In this scope, when the consideration of ethical statements of the companies included in the study according to their business functions is made, it will be seen that the most worked out subject is human resources, and the least one is protection of environment. This is in reality parallel with the results made in academic studies in Turkey. Behlül Üsdiken (Üsdiken, 1999) who puts forward the mentioned research; proves that behavioral thoughts gain more importance and are given priority out of management statements in Turkey. As a result of this study, the same type has been investigated in the written documents of company owners or managers. So

there have been similarities between the written statements of the companies out of behavioral approaches according to the results from academic studies. Benefiting from academic results and behaving accordingly has been effective on this similarity rather than putting forward their own characteristics in formation of their philosophies. This shows that the companies in Turkey could not constitute their own values or principles yet.

There are 36 main subject titles mostly talking about high quality production. The most considered one among these is high quality production. The least talked one is relation with the suppliers and unions.

"Concentration on customer" strategies, which came out in recent years, say that satisfying the needs of the customers is the most important factor to continue the life of companies. High quality production without a question is important everywhere when its benefits are examined; it is the most beneficial field for interest groups. Under this, consumers will have the opportunity to buy what they want. Satisfaction of the needs of consumers will make them continuous for the companies. The result will make the work employees happy, when there is a production and work. The companies will benefit too. This will affect everyone in the firm like a chain somehow from customers to shareholders and lastly to the environment. So when the subject of quality in production is examined on their benefit provision way, it is evaluated totally under ethical concepts.

Among one of the most forgotten subjects comes the relations with suppliers. The companies that are traded on the ISE do not show enough care about the subject. The main reason is that the companies give importance to the satisfaction of the customers and that they expect that importance provided by their suppliers towards them since they assume themselves as customers of suppliers. This behavior may seem right but also might be defined as non-ethical behavior if it is used as a means for authority of capital power in trade relations. So the firms have to protect the rights of the suppliers too. Another subject, which is not mentioned, is the relation with the unions. The reason should be evaluated not only out of companies or managers views but also out of some interest groups that have little or no positive thoughts about the structure and function of unions. The different views on the subject is due to economic and political conjuncture before 1980 in Turkey and the positions of the related institutions. It is known that the same view about the unions will continue unless their image on the community changes.

The classifications that arise from the research specifies the ethical cultures of the firms traded on the ISE. The 36 listed classifications made in

the research show their general fields mentioned by themselves.

Those firms will be able to compare themselves with others and understand their weaknesses and strengths at the end of this study. These will help them create, develop or improve their ethical principles.

When the subject is considered from the view of academicians, 36 subjects specified in the research will guide them in their academic studies. So this study will also contribute to the determination of the scopes of those studies and putting forward the fields according to their importance. As known before, the classifications have been made according to the functions of human resources, finance, marketing and etc.

As a future study, it is worth studying the consistency of the mission and vision statements of the firms, and their business values or ethical concepts derived from ethical principles with their company activities. Because, the activities should be in the same direction with purposes as it is expected. These studies will create pressure on the firms at the same time that will help those firms to behave more sensitively.

But the last aim naturally is to make many people present ethical behavior frequently that some people show frequently and many people show rarely.

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PURCHASING POWER PARITY AND REAL EXCHANGE RATES IN CASE OF DEVELOPING COUNTRIES

Murat DOĞANLAR* & Mehmet ÖZMEN**

Abstract

Purchasing power parity states that changes in the nominal exchange rates should reflect the inflation differences. This indicates that if nominal exchange rate changes reflect home and foreign inflation differences, then real exchange rate should remain unchanged. Recent time series econometrics techniques can test this proposal. If the real exchange rate series contain a unit root, then the series are told to be nonstationary which means that PPP (Purchasing power parity) does not hold. Augmented Dickey Fuller and Phillips-Perron unit root tests are used to test the stationarity of the real exchange rate series. The real exchange rate is defined in terms of both United States consumer prices and industrialized countries' consumer prices. This study is conducted for the period January 1986-April 1997 for 18 developing countries. The countries under consideration are Bolivia, Chile, Mexico, Ecuador, Uruguay, Costa Rica, Dominican Republic, Jamaica, Morocco, Ghana, Nigeria, India, Indonesia, S. Korea, Pakistan, Philippines, Sri Lanka, and Turkey. Unit root test results indicate that none of the real exchange rate series are stationary for these countries. Therefore, it can be claimed that PPP does not hold for these countries when PPP is defined in terms of real exchange rate.

I. Introduction

Purchasing power parity (PPP) states that the changes in the nominal exchange rates should reflect the differences between domestic and for-

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eign inflation rates. This is the relative definition of PPP. Absolute version of PPP states that price levels in two different countries should be equal to each other when expressed in terms of the same currency. If domestic and / or foreign prices change, then the nominal exchange rate changes in such a way as to keep real exchange rate constant. If nominal exchange rates move in parallel with PPP, then the real exchange rate will not change. Thus changes in the nominal exchange rates will not affect the international competitiveness. However, there may be deviations from PPP in the short run. Deviations in the real exchange rates may source from monetary and real (structural) factors. Exchange rates tend to move rapidly relative to prices; therefore it is possible to observe a sudden jump and substantial deviations in the exchange rates from the rates implied by PPP after a monetary expansion. PPP does not hold in the short-run after an increase in the money stock, but PPP relationship is expected to hold in the long run. Another important point which should be mentioned is that the relationship between central bank independence and macroeconomic policies. It has been observed that the central bank independence implies consistency between exchange rate and macroeconomic policies (Mishkin, 1997). Less independent central banks follow expansionary macroeconomic policies that results inflation. Higher domestic inflation rates result overvaluation of the real exchange rates and cause deviations from the rates implied by PPP (Doğanlar, 1995).

If the sources of deviations from PPP are real disturbances, a new equilibrium real exchange rate will occur and deviations from PPP will persist. Therefore, exchange rates and relative prices will not move together. Changes in the terms of trade or productivity are the examples for the real disturbances (Dornbusch, 1991; Dornbusch and Fischer, 1994). In general monetary disturbances are effective in the short run and lead to transitory deviations from PPP, however the real exchange rate will return to its initial equilibrium level in the long run. On the other hand, real disturbances that are permanent may lead to permanent deviations from PPP (Levich, 1985).

This study examines validity of PPP in the long run by analyzing the time series properties of the real exchange rate series. Stationarity of the real exchange rates is analyzed by using unit root tests. PPP will be valid in the long run if the real exchange rate series are stationary, in other words they do not contain unit roots.

Although PPP was tested for developed countries by analyzing the time series properties of the real exchange series, empirical test of PPP

using real exchange rates were undermined for developing countries. The studies on the real exchange rate for developing countries were mostly in the form of calculating the real exchange rate series. The time series properties of the real exchange rate series have not been analyzed. This is the first such study that fills a gap on this subject. Some of the studies that tested PPP using real exchange rate series for developed countries are carried out by Lothian and Taylor (1996), Cuddington and Liang (2000) and they found that the real exchange rate series do not contain a unit root; hence PPP is valid in general. However, this study finds that the real exchange rate series for the developing countries under consideration contain unit roots and therefore PPP cannot be validated in the long run.

The data used in this study are quarterly observations from 1986.1 to 1997.4 for 18 developing countries. These 18 countries have been selected among the countries which have adopted one type of flexible exchange rate system according to IMF definition. The difference of this work from the others is that there has not been any study in the literature that examined the validity of PPP for developing countries by using real exchange rate series. Therefore this study intends to fill the gap in the applied literature.

II. Purchasing Power Parity

PPP simply suggests that nominal exchange rate should be determined according to the differences between foreign and domestic rates of inflation (Cheung and Lai, 1998). It is possible to specify and estimate the PPP in three different forms. The most restrictive form of PPP is the real exchange rate (2.1) that imposes homogeneity on the price level terms. Testing validity of PPP will depend on analyzing the time series properties of the real exchange rates. PPP holds in the long run only when the real exchange rate is stationary and contains no unit root. If the real exchange rate is not stationary, then the deviations in the real exchange rate will be permanent and nominal exchange rate will not move in parallel with the relative prices. This will mean PPP does not hold. The real exchange rate rt is expressed in logarithms in (2.1) where st is the nominal exchange rate, pt is domestic prices and p_t^* is foreign prices. Testing the random walk hypothesis ($\alpha_1=0$) in (2.2) will mean that whether or not PPP holds is questioned (Pentecost, 1993).

$$r_t = s_t - p_t + p_t^* \quad (2.1)$$

$$r_t = \alpha_0 + \alpha_1 r_{t-1} + u_t \quad (2.2)$$

It is possible to test PPP by using (2.3). This is a less restrictive version of PPP. Early empirical studies on PPP were focused mainly on the value of the slope coefficient of β_1 . Specifically, a simple test for PPP would be an examination of whether the coefficient of β_1 is significantly different from unity (Cheung and Lai, 1998). Development of the cointegration techniques involves studying if the exchange rate and relative price series move together in the long run. In other words, the cointegration coefficient that is β_1 in (2.3) should be equal to unity if PPP holds (Levi, 1996).

$$s_t = \beta_0 + \beta_1 (p_t - p_t^*) + u_t \quad (2.3)$$

The third and the least restrictive version of PPP is formulated in (2.4) where the homogeneity assumption of prices is removed. This version involves in searching for a long-run equilibrium relationship between nominal exchange rate, foreign price and domestic price series using cointegration methods. However, it is not certain how the coefficient will be interpreted even if a cointegrating relationship is found among these three series (Cheung and Lai, 1998).

$$s_t = \beta_0 + \beta_1 (p_t) + \beta_1 (p_t^*) + u_t \quad (2.4)$$

This study will examine the validity of PPP by analyzing the time series properties of the real exchange rates that is the most restrictive form of PPP. It is possible to test PPP by using the other versions.¹ To serve as a benchmark for comparison, the period from 1986.1 to 1997.4 has been determined as the longest available quarterly observations for these 18 developing countries. Source of the all data is IMF International Financial Statistics. All real exchange rate series are expressed in logarithms. Real exchange rate can be expressed as in (2.5) if the logarithm of equation (2.1) is taken. (2.5) is used in this study in order to analyze the time series properties of the real exchange rate series. Nominal exchange rates are the bilateral exchange rate of these countries against the US dollar. Consumer

¹ See Doğanlar (1999) for Less restrictive versions of PPP.

prices index is used to represent foreign and domestic prices (1990=100). The real exchange rate series for each country are defined in terms of both United States consumer prices and industrialized countries' consumer prices and stationarity of the series will be examined by using both Augmented Dickey-Fuller (ADF) and Phillips-Perron (P-P) tests. We have used industrialized countries' price indices, because the countries that we choose may have trade with most of the industrialized countries as well. Testing for the stationarity will mean whether the real exchange rate series contain a unit root. If the real exchange rate series contain a unit root they will be called as nonstationary. This indicates that PPP does not hold according to the real exchange version (2.1). The countries which follow flexible exchange rate system have been selected because under fixed exchange rate systems, the nominal exchange rates are kept unchanged for a long time and inflation differences are not reflected over the nominal exchange rates.

$$r_t = \ln [s_t \times (p_t^* / p_t)] \quad (2.5)$$

A time series is said to be weakly stationary when its mean, variance and covariance are all independent of time. If a time series requires d order differencing to be stationary, then it is said that this series is integrated of order d . Stationarity of the economic time series is tested by using both Dickey-Fuller (1979, 1981) and Phillips-Perron (1988) tests. All the estimations were conducted using Econometric views 3.0 program. The appropriate order of k in ADF is determined according to the criteria based on Perron (1989). This criteria consists in determining a relatively long lag length and reducing the number of lags by usual t -test. The process is repeated until the t -test of the last lagged term is significant at the 10 % critical bound. Once the appropriate lag length is determined, diagnostic checking for serial correlation is conducted by applying LM tests. ADF involves estimating equation (2.6) where $k=12$.

$$\Delta r_t = \alpha_0 + \alpha_1 t + \gamma r_{t-1} + \sum_{i=1}^k \beta_i \Delta r_{t-i} + \varepsilon_t \quad (2.6)$$

Lothian and Taylor (1996), and Cuddington and Liang (2000) conducted similar studies for developed countries by using Dickey-Fuller and Phillips-Perron tests. Lothian and Taylor (1996) claim that PPP holds

between French frank and pound, and dollar-pound since the real exchange rate series are stationary. However, Cuddington and Liang (2000) found that the real exchange rate between dollar and pound is not stationary and therefore they claim that PPP cannot be validated.

The results of this study are presented in the Tables 1 to 4. Results of the Dickey-Fuller tests are presented in Tables 1 and 2, and Tables 3 and 4 present results of Phillips-Perron tests. Tables 1 and 3 present the unit root test results for the real exchange rate series where the series defined in terms of industrialized countries' prices. Tables 2 and 4 present the unit root results where real exchange rate series are defined in terms of United States' consumer prices.

Both Dickey-Fuller and Phillips-Perron test statistics indicate that we cannot reject the presence of unit roots for both definitions of real exchange rate series even at 10 % level of significance. Therefore, the unit root test results show that the real exchange rate series defined in terms of both United States and industrialized countries' prices are nonstationary at their levels. In other words, real exchange rate series for these 18 countries are integrated of order one, that is $I(1)$. Presence of a second root in the series were not tested, because it is sufficient to reject the validity of PPP since real exchange rate series are found to be $I(1)$.

**Table 1: Dickey-Fuller Unit Root Test
(Industrialized Country Prices)**

	ADF(τ_t)	k	1%	5%	10%
Bolivia	-2.69	(10)	-4.15	-3.50	-3.18
Chile	-2.55	(1)			
Mexico	-2.10	(3)			
Ecuador	-2.87	(10)			
Uruguay	-2.96	(8)			
Costa Rica	-3.15	(1)			
Dominian Rep.	-2.54	(1)			
Jamaica	-1.13	(7)			
Morocco	-3.11	(7)			
Ghana	-1.79	(4)			
Nigeria	-0.08	(11)			
India	-1.70	(11)			
Indonesia	-2.33	(1)			
S. Korea	-2.71	(3)			
Pakistan	-1.04	(10)			
Philippines	-1.58	(7)			
Sri Lanka	-1.57	(8)			
Turkey	-2.75	(12)			

Notes: k shows lag order in ADF.

**Table 2: Dickey-Fuller Unit Root Test
(U.S.A. Prices)**

	ADF(τ_τ)	k	1%	5%	10%
Bolivia	-2.81	(10)	-4.15	-3.50	-3.18
Chile	-2.54	(1)			
Mexico	-2.06	(3)			
Ecuador	-1.49	(8)			
Uruguay	-3.06	(8)			
Costa Rica	-3.11	(1)			
Dominican Rep.	-2.57	(1)			
Jamaica	-1.10	(7)			
Morocco	-3.10	(7)			
Ghana	-1.81	(4)			
Nigeria	-0.09	(11)			
Indian	-1.62	(11)			
Indonesia	-2.36	(1)			
S. Korea	-2.55	(3)			
Pakistan	-1.12	(10)			
Philippines	-1.72	(7)			
Sri Lanka	-1.85	(8)			
Turkey	-2.55	(12)			

Notes: k shows lag order in ADF.

**Table 3: Phillips-Perron Unit Root Test
(Industrialized Country Prices)**

	P-P(τ_τ)	%1	%5	%10
Bolivia	-3.10	-4.15	-3.50	-3.18
Chile	-2.47			
Mexico	-2.17			
Ecuador	-2.16			
Uruguay	-1.68			
Costa Rica	-2.91			
Dominican Rep.	-2.52			
Jamaica	-1.64			
Morocco	-2.48			
Ghana	-1.96			
Nigeria	-1.38			
India	-2.23			
Indonesia	-1.90			
S. Korea	-1.18			
Pakistan	-2.39			
Philippines	-2.33			
Sri Lanka	-2.80			
Turkey	-1.95			

Notes: The appropriate lag order is 3 according to Newey-West.

**Table 4: Phillips-Perron Unit Root Test
(U.S.A. Prices)**

	P-P(τ_r)	1%	5%	10%
Bolivia	-3.13	-4.15	-3.50	-3.18
Chile	-2.26			
Mexico	-2.15			
Ecuador	-2.14			
Uruguay	-1.70			
Costa Rica	-2.89			
Dominican Rep.	-2.54			
Jamaica	-1.69			
Morocco	-2.52			
Ghana	-1.97			
Nigeria	-1.39			
India	-2.31			
Indonesia	-1.89			
S. Korea	-1.10			
Pakistan	-2.36			
Philippines	-2.31			
Sri Lanka	-2.79			
Turkey	-1.93			

Notes: The appropriate lag order is 3 according to Newey-West.

The reasons for the deviations from PPP to occur for these 18 developing countries might source from several factors.

First of all, when the validity of PPP is examined by using the real exchange rate series, the analysis depends on a restrictive assumption of homogeneity between domestic and foreign prices. However, price indices might show differences internationally. The group of countries that we compare are developing and developed countries. Therefore, these countries that are at different levels of development might have price indices constructed with different basket of goods. Because a typical Sri Lankan or Bolivian consumer will buy a different basket of goods compared to a typical Japanese or US consumer's basket of goods. In this case, PPP could perform better if the prices of individual goods in both countries are compared. Therefore validity of PPP can be violated if aggregate prices are used (Melvin, 1989).

Apart from the problems in using national price indices the equilibrium real exchange rate might be changed by other factors which are called as real disturbances such as tariffs, differences in technology/productivity, changes in terms of trade, capital flows and government policies (Edwards, 1988; Melvin, 1989). The real factors of these countries might result in a permanent deviation from the rate implied by PPP. It is highly possible that the deviations from PPP might source from the real factors when the economic structures of developing countries are considered. A permanent change in the terms of trade or tariffs might result in a permanent deviation in the equilibrium real exchange rate, which means that a new equilibrium real exchange rate will occur.

III. Conclusion

This study examined that whether or not the nominal exchange rates for 18 developing countries were determined according to the rate implied by PPP and therefore time series properties of the real exchange rate series were analyzed. The real exchange rate series defined in terms of both United States and industrialized countries' prices indicate that the series are nonstationary at their levels. The result of this study could not find supportive evidence for long run PPP. However, this study assumed a restrictive assumption of homogeneity between prices. National price indices might create a measurement problem as well. Finally, changes in the real factors might cause a permanent deviation in the real exchange rates and hence PPP could be invalidated.

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GLOBAL CAPITAL MARKETS

Global economy grew during the first half of 2000, as the world economy recovered from the financial crises that prevailed in 1997-98 period, despite the higher oil prices and a weakening in many equity markets. In the past two years global economic growth rose from a rate of 2.6 percent in 1998 to 3.4 percent in 1999 to an estimated 4.7 percent in 2000. Although the overall outlook is positive, increasing expectations of a slowdown of the US economy, a decreasing earnings potential of the Technology Media and Telecom (TMT) sector influenced the emerging bond and equity markets in the last quarter of 2000. As a result forecasts for US GDP growth began to be revised down successively each month beginning from October. The US manufacturing sector's retreat accelerated in November while in the euro-zone activity slowed down. The outlook for growth in Europe and Japan remained broadly unchanged in the last quarter, it was also revised down in December. However, output is set to expand at rates above potential over the coming two years.

Emerging equity markets continued to underperform in comparison with the mature markets in the last quarter of 2000 although Nasdaq had declined by -32.7 %. The decline in the emerging markets was broad-based with all the major equity markets falling except Poland and Czech Republic. The reasons behind the decline in emerging equity markets were the declines in the TMT sector (which was responsible for at least half and up to two-thirds in Asia). However, the decline in the equity markets was not only attributable to the declines in the TMT sector, but the role of other factors, in particular, the vulnerability of emerging markets to a global economic slowdown. As a result of the decline in the Asian equity markets trailing P/E ratios decreased to levels at or below the levels at the time of the Asian crisis in November 1997.

The performances of some developed stock markets with respect to indices indicated that Nikkei-225 and FTSE-100 decreased by -12.46% and by -1.14%, respectively, while DJI increased by 1.28% on December 29 as of September 29. When US\$ based returns of some emerging markets are compared, China is the best performer with 39.6% and Venezuela follows with 17,2%. In the same period Indonesia, Korea, Thailand and

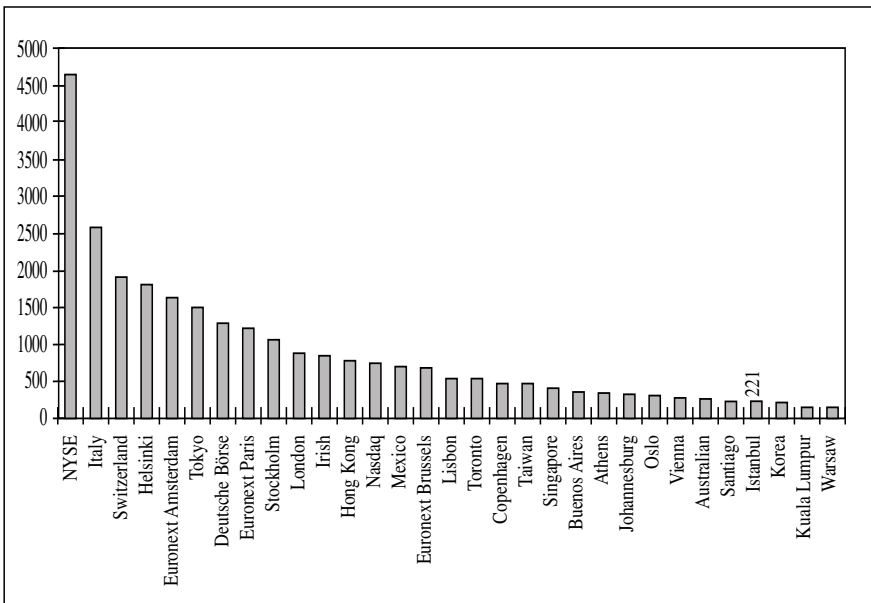
Turkey (ISE) are the worst performers that caused their investors lose -55.7%, -54.8%, -51.4% and -51.1% respectively. The three other low performing markets are Egypt, Philippines and Taiwan with -49.2%, -46.5% and -45% returns, respectively. The performances of emerging markets with respect to P/E ratios as of end-December indicated that the highest rates were obtained in Argentina (293.3) Malaysia (71.7), Chile (31.8) and Philippines (28.2) and the lowest rates in Thailand (-12.4), Indonesia (-6.5) and South Africa (10.7).

Market Capitalization (USD Million, 1986-1999)

	Global	Developed Markets	Emerging Markets	ISE
1986	6,514,199	6,275,582	238,617	938
1987	7,830,778	7,511,072	319,706	3,125
1988	9,728,493	9,245,358	483,135	1,128
1989	11,712,673	10,967,395	745,278	6,756
1990	9,398,391	8,784,770	613,621	18,737
1991	11,342,089	10,434,218	907,871	15,564
1992	10,923,343	9,923,024	1,000,319	9,922
1993	14,016,023	12,327,242	1,688,781	37,824
1994	15,124,051	13,210,778	1,913,273	21,785
1995	17,788,071	15,859,021	1,929,050	20,782
1996	20,412,135	17,982,088	2,272,184	30,797
1997	23,087,006	20,923,911	2,163,095	61,348
1998	26,964,463	25,065,373	1,899,090	33,473
1999	36,030,810	32,956,939	3,073,871	112,276

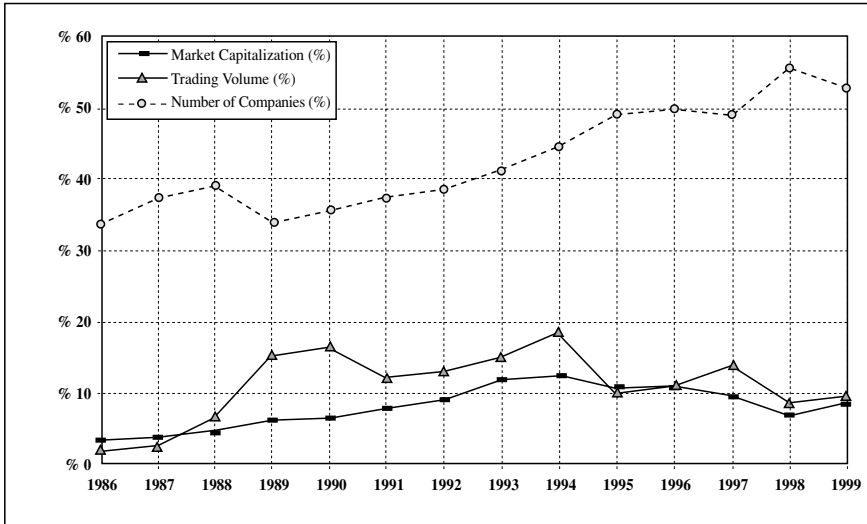
Source: IFC Factbook 2000.

Comparison of Average Market Capitalization (USD Million, December 2000)



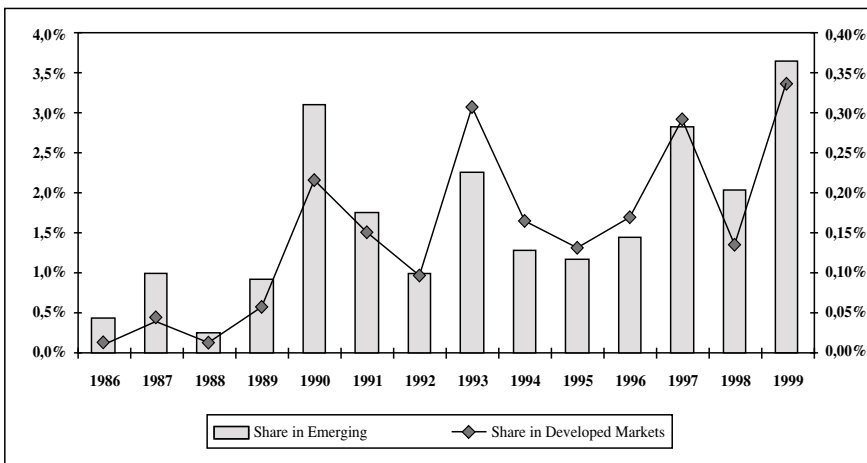
Source: FIBV, Monthly Statistics, December 2000.

Worldwide Share of Emerging Capital Markets (1986-1999)



Source : IFC Factbook, 2000.

Share of ISE's Market Capitalization in World Markets (1986-1999)



Source: IFC Factbook 2000.

Main Indicators of Capital Markets (December 2000)

Market	Turnover Velocity	Market	Value of Share Trading (millions USD \$) Up to Year Total (2000/1 -2000/12)	Market	Market Cap. of Share of Domestic Companies (millions USD \$)
Nasdaq	383.9%	Nasdaq	19,798,799.3	NYSE	11,442,383.3
Taiwan	259.3%	NYSE	11,060,046.0	Nasdaq	3,578,592.9
Korea	243.0%	London	4,558,662.9	Tokyo	3,157,221.8
Madrid	228.4%	Tokyo	2,315,501.0	London	2,576,991.9
Istanbul	181.7%	Deutsche Börse	2,120,128.8	Euronext Paris	1,446,634.1
Italy	130.5%	Chicago	1,190,087.0	Deutsche Börse	1,270,243.2
Deutsche Börse	128.6%	Euronext Paris	1,064,866.0	Switzerland	792,316.0
Oslo	98.2%	Madrid	1,035,595.4	Toronto	770,116.2
Stockholm	97.7%	Italy	1,019,625.3	Italy	768,363.5
Euronext Amsterdam	97.6%	Taiwan	986,271.7	Euronext Amsterdam	640,456.3
NYSE	87.7%	Amex	945,390.7	Hong Kong	623,397.8
Switzerland	86.5%	Euronext Amsterdam	678,763.7	Madrid (Spain)	504,219.3
Lisbon	81.3%	Switzerland	638,374.6	Australian	372,794.4
Copenhagen	80.9%	Toronto	636,535.3	Stockholm	328,339.1
Barcelona	73.9%	Korea	556,246.3	Helsinki	293,634.8
Euronext Paris	71.9%	Stockholm	485,288.3	Taiwan	247,601.9
London	69.3%	Hong Kong	376,664.1	Johannesburg	204,300.8
Bilbao	68.6%	Osaka	325,552.4	Euronext Brussels	182,481.0
Warsaw	66.0%	Bilbao	271,423.2	Singapore	152,826.7
Athens	65.0%	Australian	226,484.9	Korea	148,361.2
Helsinki	63.7%	Helsinki	208,326.1	Mexico	125,203.9
Hong Kong	60.8%	Istanbul	178,997.6	Kuala Lumpur	113,155.9
Tokyo	58.8%	Copenhagen	102,636.2	Copenhagen	111,818.6
Singapore	58.5%	Sao Paulo	101,537.4	Athens	107,574.2
Australian	57.4%	Athens	96,006.9	Amex	86,775.3
Thailand	54.5%	Singapore	95,153.1	Irish	81,882.4
New Zealand	49.3%	Johannesburg	77,446.1	Istanbul	69,658.9
Sao Paulo	43.9%	Oslo	69,241.7	Tel-Aviv	66,742.9
Tel-Aviv	39.8%	Lisbon	54,894.3	Oslo	65,774.1
Jakarta	37.2%	Kuala Lumpur	52,868.7	Lisbon	60,680.5
Johannesburg	35.5%	Mexico	45,768.4	Santiago	60,400.8
Vienna	34.4%	Barcelona	45,556.7	Buenos Aires	45,839.6
Kuala Lumpur	33.4%	Euronext Brussels	43,776.9	Luxembourg	34,016.4
Mexico	31.7%	Tel-Aviv	28,538.5	Warsaw	31,279.4
Euronext Brussels	23.4%	Thailand	21,117.0	Vienna	29,935.2
Philippine	22.9%	Warsaw	19,305.4	Thailand	29,217.4
Ljubljana	22.6%	Jakarta	15,109.3	Jakarta	26,812.5
Tehran	19.9%	Irish	14,380.8	Tehran	26,685.7
Lima	19.5%	New Zealand	12,316.3	Philippine	25,980.7
Buenos Aires	17.0%	CDNX	10,882.3	New Zealand	18,613.0
Irish	16.9%	Buenos Aires	9,700.8	Lima	10,149.3
Osaka	11.8%	Vienna	9,641.6	Ljubljana	3,099.7
Colombo	9.9%	Philippine	8,531.4	Colombo	1,074.1
Santiago	9.4%	Santiago	6,105.3	Montreal	724.8

Source: FIBV. Monthly Statistics. December 2000.

Trading Volume (USD millions. 1986-1999)

	Global	Developed	Emerging	ISE	Emerging/ Global (%)	ISE/ Emerging (%)
1986	3,573,570	3,490,718	82,852	13	2.32	0.02
1987	5,846,864	5,682,143	164,721	118	2.82	0.07
1988	5,997,321	5,588,694	408,627	115	6.81	0.03
1989	7,467,997	6,298,778	1,169,219	773	15.66	0.07
1990	5,514,706	4,614,786	899,920	5,854	16.32	0.65
1991	5,019,596	4,403,631	615,965	8,502	12.27	1.38
1992	4,782,850	4,151,662	631,188	8,567	13.20	1.36
1993	7,194,675	6,090,929	1,103,746	21,770	15.34	1.97
1994	8,821,845	7,156,704	1,665,141	23,203	18.88	1.39
1995	10,218,748	9,176,451	1,042,297	52,357	10.20	5.02
1996	13,616,070	12,105,541	1,510,529	37,737	11.09	2.50
1997	19,484,814	16,818,167	2,666,647	59,105	13.69	2.18
1998	22,874,320	20,917,462	1,909,510	68,646	8.55	3.60
1999	31,021,065	28,154,198	2,866,867	81,277	9.24	2.86

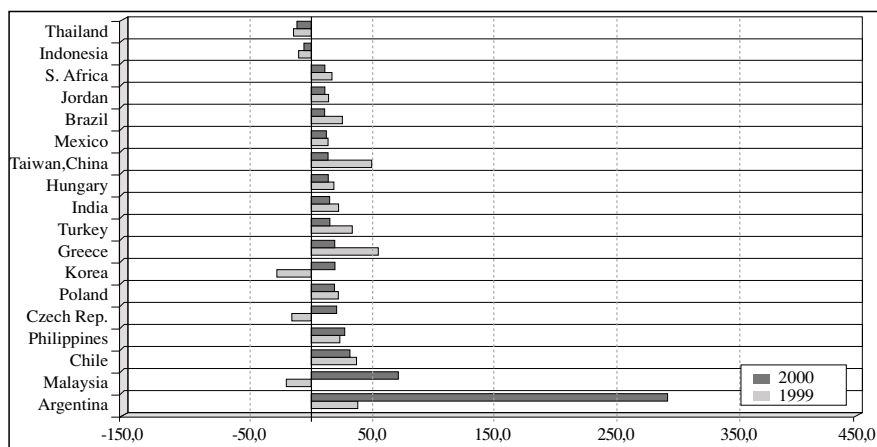
Source: IFC Factbook. 2000.

Number of Trading Companies (1986-1999)

	Global	Developed	Emerging	ISE	Emerging/ Global (%)	ISE/ Emerging (%)
1986	28,173	18,555	9,618	80	34.14	0.83
1987	29,278	18,265	11,013	82	37.62	0.74
1988	29,270	17,805	11,465	79	39.17	0.69
1989	25,925	17,216	8,709	76	33.59	0.87
1990	25,424	16,323	9,101	110	35.80	1.21
1991	26,093	16,239	9,854	134	37.76	1.36
1992	27,706	16,976	10,730	145	38.73	1.35
1993	28,895	17,012	11,883	160	41.12	1.35
1994	33,473	18,505	14,968	176	44.72	1.18
1995	36,602	18,648	17,954	205	49.05	1.14
1996	40,191	20,242	19,949	228	49.64	1.14
1997	40,880	20,805	20,075	258	49.11	1.29
1998	47,465	21,111	26,354	277	55.52	1.05
1999	49,640	23,326	26,314	285	53.01	1.08

Source: IFC Factbook 2000.

Comparison of P/E Ratios (1999/12 - 2000/12)



Source : IFC Factbook, 1999. IFC. Monthly Review, December 2000.

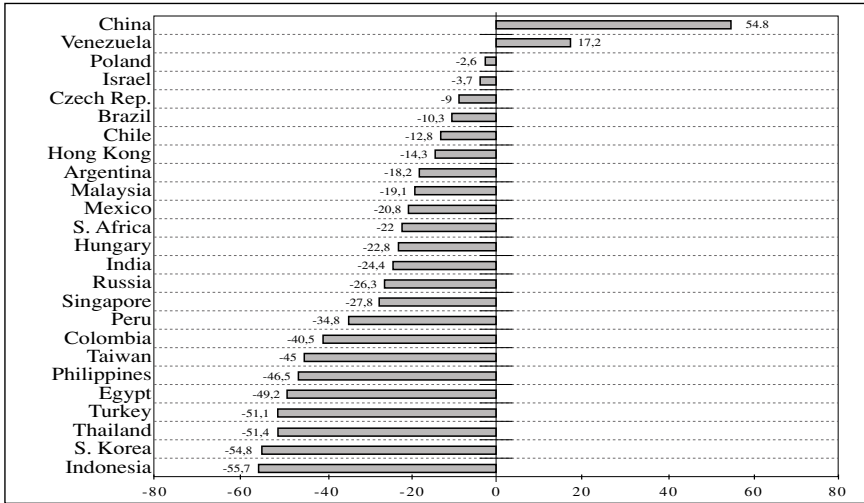
Price-Earnings Ratios in Emerging Markets (1993-2000)

	1993	1994	1995	1996	1997	1998	1999	2000
Argentina	41.9	17.7	15.0	38.2	17.1	13.4	39.0	293.3
Malaysia	43.5	29.0	25.1	27.1	13.5	21.1	-19.1	71.7
Chile	20.0	21.4	17.1	27.8	15.9	15.1	37.7	31.8
Philippines	38.8	30.8	19.0	20.0	12.5	15.0	24.0	28.2
Czech Rep.	18.8	16.3	11.2	17.6	8.8	-11.3	-14.8	21.0
Poland	31.5	12.9	7.0	14.3	10.3	10.7	22.0	19.4
Korea	25.1	34.5	19.8	11.7	11.6	-47.1	-27.7	19.3
Greece	10.2	10.4	10.5	10.5	13.1	33.7	55.6	19.2
Turkey	36.3	31.0	8.4	10.7	18.9	7.8	33.8	15.2
India	39.7	26.7	14.2	12.3	16.8	13.5	22.0	14.8
Hungary	52.4	-55.3	12.0	17.5	25.2	17.0	18.2	14.3
Taiwan, China	34.7	36.8	21.4	28.2	32.4	21.7	49.2	13.7
Mexico	19.4	17.1	28.4	16.8	22.2	23.9	14.1	12.5
Brazil	12.6	13.1	36.3	14.5	15.4	7.0	25.1	11.7
Jordan	17.9	20.8	18.2	16.9	12.8	15.9	13.6	10.7
S.Africa	17.3	21.3	18.8	16.3	12.1	10.1	17.4	10.7
Indonesia	28.9	20.2	19.8	21.6	11.2	-106.2	-10.5	-6.5
Thailand	27.5	21.2	21.7	13.1	4.8	-3.7	-14.5	-12.4

Source: IFC Factbook, 1999; IFC. Monthly Review, December 2000.

Note: Figures are taken from IFC Global Index Profile.

Comparison of Market Returns In USD (31/12/99 - 3/1/2001)



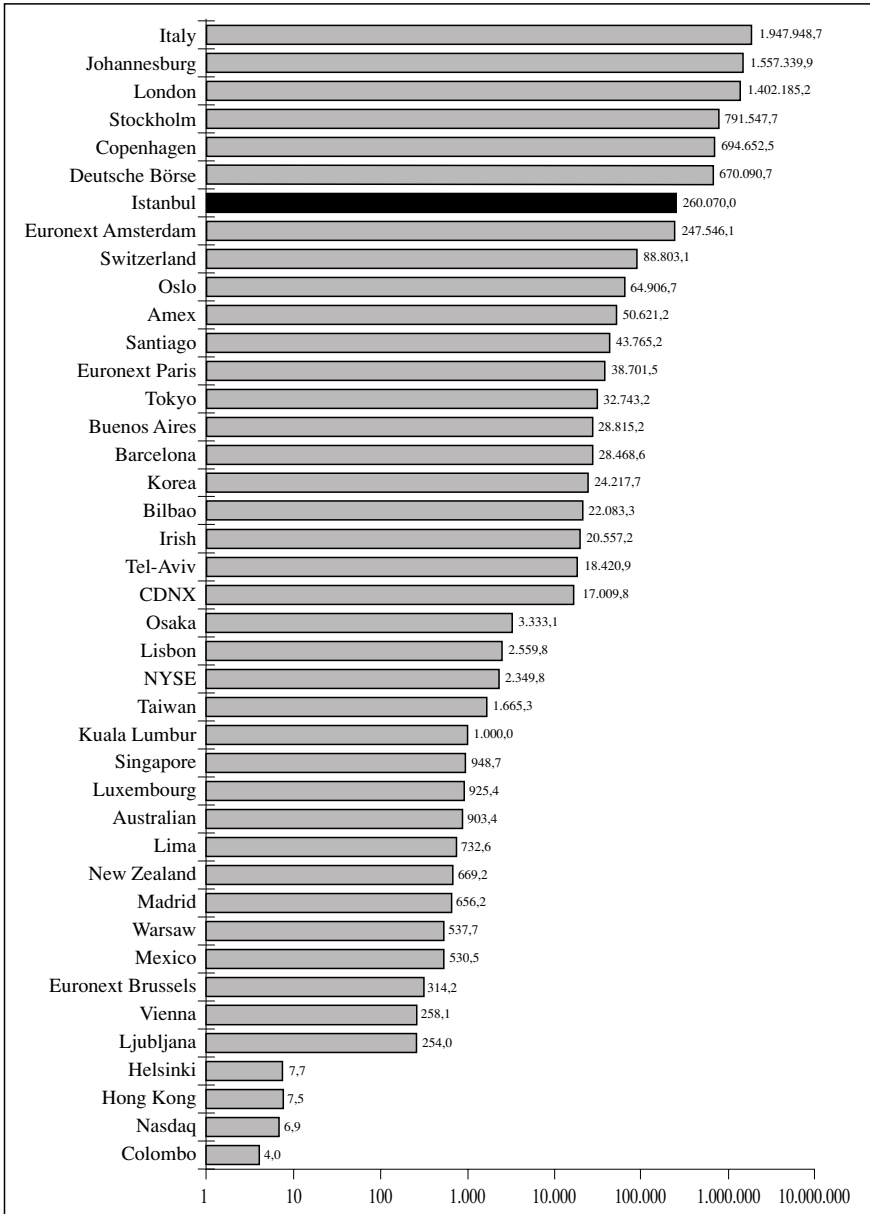
Source: The Economist, January 2001.

Market Vaule/Book Vaule Ratios (1993-2000)

	1993	1994	1995	1996	1997	1998	1999	2000
Greece	1.9	1.9	1.8	2.0	2.9	4.9	9.4	4.0
Turkey	7.2	6.3	2.7	4.0	9.2	2.7	8.8	3.1
Hungary	1.6	1.7	1.2	2.0	3.7	3.2	3.6	2.5
India	4.9	4.2	2.3	2.1	2.7	1.9	3.1	2.5
Poland	5.7	2.3	1.3	2.6	1.6	1.5	2.0	2.2
S.Africa	1.8	2.6	2.5	2.3	1.9	1.5	2.7	2.1
Mexico	2.6	2.2	1.7	1.7	2.5	1.4	2.2	1.7
Taiwan, China	3.9	4.4	2.7	3.3	3.8	2.6	3.3	1.7
Indonesia	3.1	2.4	2.3	2.7	1.5	1.6	2.9	1.6
Thailand	4.7	3.7	3.3	1.8	0.8	1.2	2.6	1.6
Chile	2.1	2.5	2.1	1.6	1.6	1.1	1.8	1.5
Malaysia	5.4	3.8	3.3	3.8	1.8	1.3	1.9	1.5
Brazil	0.5	0.6	0.5	0.7	1.1	0.6	1.6	1.4
Jordan	2.0	1.7	1.9	1.7	1.6	1.8	1.5	1.3
Czech Rep.	1.3	1.0	0.9	0.9	0.8	0.7	1.2	1.2
Philippines	5.2	4.5	3.2	3.1	1.7	1.3	1.5	1.2
Argentina	1.9	1.4	1.3	1.6	1.8	1.3	1.5	1.0
Korea	1.4	1.6	1.3	0.8	0.6	0.9	2.0	0.8

Source: : IFC Factbook, 1996-1999; IFC Monthly Review, December 2000.

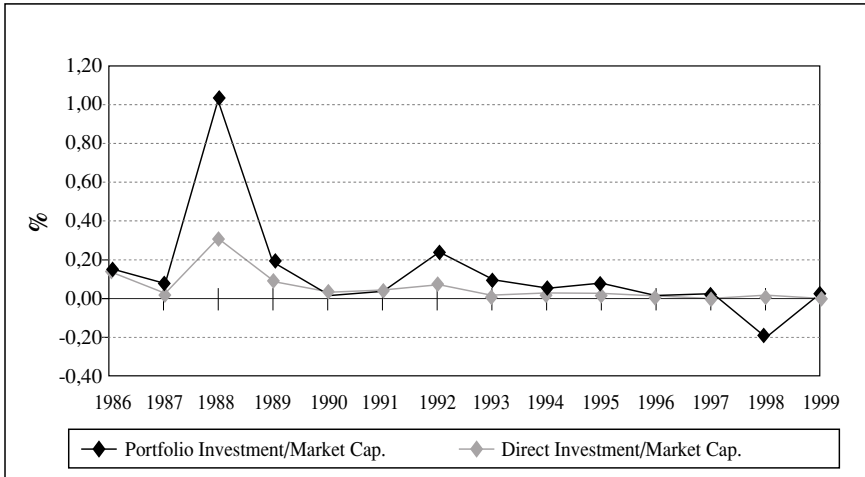
**Value of Bond Trading
(Million USD \$, January 2000-December 2000)**



Source: FIBV, Monthly Statistics, December 2000.

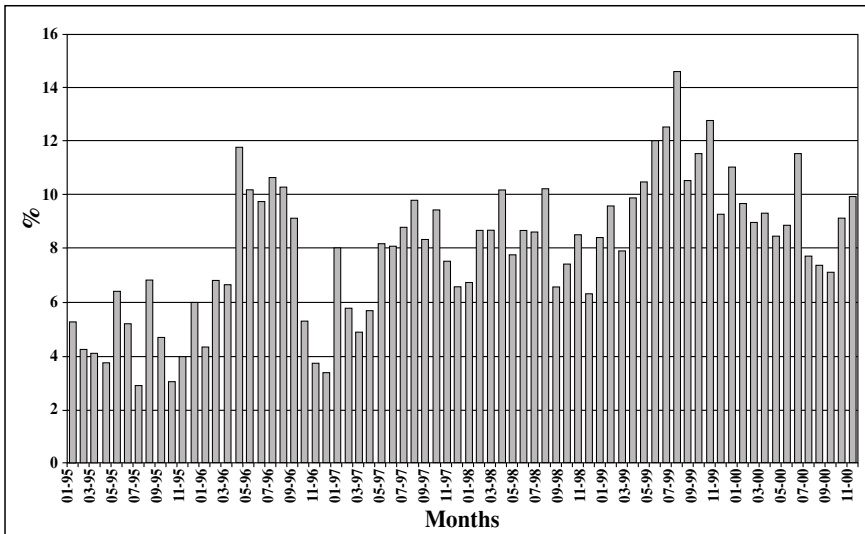
Note: The value of bonds trading pertain to Trading System View figures. For those countries which do not have Trading System View figures, the Regulated Environment figures are used.

Foreign Investments as a Percentage of Market Capitalization in Turkey (1986-1999)



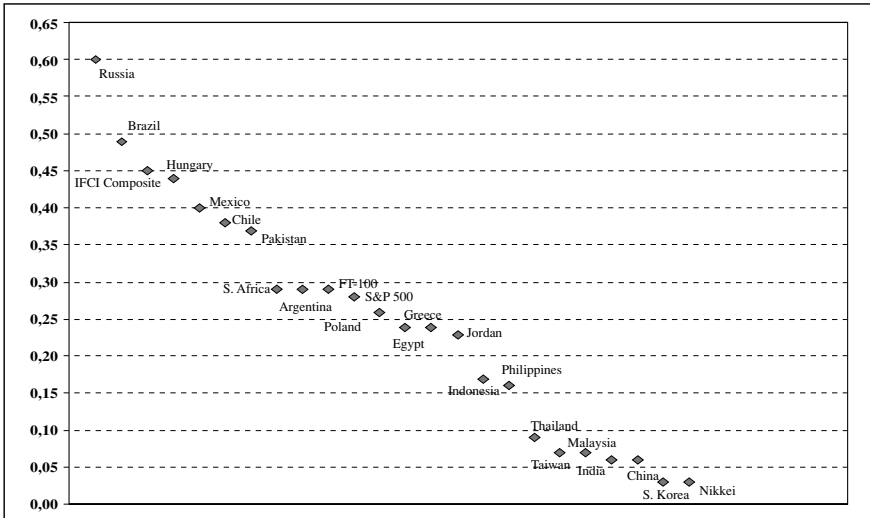
Source: ISE Data, CBTR Databank.

Foreigners' Share in the Trading Volume of the ISE (Jan. 95-December 2000)



Source: ISE Data.

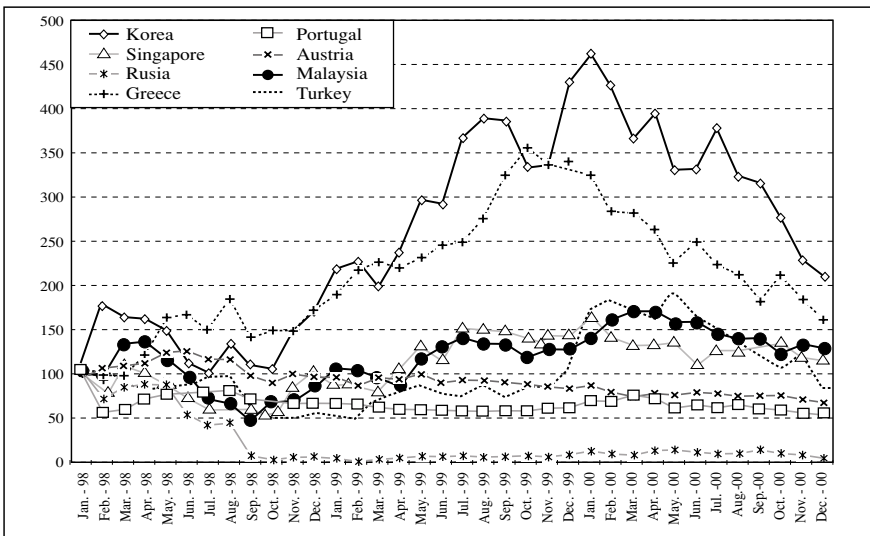
Price Correlations of the ISE (December 1995 - December 2000)



Source : IFC Monthly Review, December 2000.

Notes : The correlation coefficient is between -1 and +1. If it is zero, for the given period, it is implied that there is no relation between two series of returns. For monthly return index correlations (IFCF) see. IFC. Monthly Review. December 2000.

Comparison of Market Indices (Dec 97=100)



Source : Reuters

Note : Comparisons are in US \$.

ISE Market Indicators

STOCK MARKET											
		Total Value				Market Value		Dividend Yield	P/E Ratios		
	Number of Companies	Total		Daily Average							
		(TL Billion)	(US\$ Million)	(TL Billion)	(US\$ Million)	(TL Billion)	(US\$ Million)	(%)	TL(1)	TL(2)	US \$
1986	80	9	13	---	---	709	938	9,15	5,07	---	---
1987	82	105	118	---	---	3.182	3.125	2,82	15,86	---	---
1988	79	149	115	1	---	2.048	1.128	10,48	4,97	---	---
1989	76	1.736	773	7	3	15.553	6.756	3,44	15,74	---	---
1990	110	15.313	5.854	62	24	55.238	18.737	2,62	23,97	---	---
1991	134	35.487	8.502	144	34	78.907	15.564	3,95	15,88	---	---
1992	145	56.339	8.567	224	34	84.809	9.922	6,43	11,39	---	---
1993	160	255.222	21.770	1.037	89	546.316	37.824	1,65	25,75	20,72	14,86
1994	176	650.864	23.203	2.573	92	836.118	21.785	2,78	24,83	16,70	10,97
1995	205	2.374.055	52.357	9.458	209	1.264.998	20.782	3,56	9,23	7,67	5,48
1996	228	3.031.185	37.737	12.272	153	3.275.038	30.797	2,87	12,15	10,86	7,72
1997	258	9.048.721	58.104	35.908	231	12.654.308	61.879	1,56	24,39	19,45	13,28
1998	277	18.029.967	70.396	72.701	284	10.611.820	33.975	3,37	8,84	8,11	6,36
1999	285	36.877.335	84.034	156.260	356	61.137.073	114.271	0,72	37,52	34,08	24,95
2000	315	111.165.396	181.934	451.892	740	46.692.373	69.507	1,29	16,82	16,11	14,05
2000/Q1	298	35.003.411	62.647	603.507	1.080	64.197.681	109.197	0,91	30,27	29,92	22,59
2000/Q2	308	30.807.647	50.881	481.369	795	58.216.149	94.117	1,01	26,92	23,54	18,89
2000/Q3	312	20.024.919	31.058	312.889	485	54.628.507	82.400	1,10	19,79	19,90	16,21
2000/Q4	315	25.329.419	37.347	422.157	622	46.692.373	69.507	1,29	16,82	16,11	14,05

Q: Quarter

Note:

- Between 1986-1992, the price earnings ratios were calculated on the basis of the companies' previous year-end net profits. As from 1993,

TL(1) = Total market capitalization / Sum of last two six-month profits

TL(2) = Total market capitalization / Sum of last four three-month profits.

US\$ = US\$ based total market capitalization / Sum of last four US\$ based three-month profits.

Closing Values of the ISE Price Indices					
TL Based					
	NATIONAL-100 (Jan. 1986=1)	NATIONAL-INDUSTRIALS (Dec. 31, 90=33)	NATIONAL-SERVICES (Dec. 27, 96=1046)	NATIONAL-FINANCIALS (Dec. 31, 90=33)	
1986	1,71	---	---	---	
1987	6,73	---	---	---	
1988	3,74	---	---	---	
1989	22,18	---	---	---	
1990	32,56	32,56	---	32,56	
1991	43,69	49,63	---	33,55	
1992	40,04	49,15	---	24,34	
1993	206,83	222,88	---	191,90	
1994	272,57	304,74	---	229,64	
1995	400,25	462,47	---	300,04	
1996	975,89	1.045,91	1.045,91	914,47	
1997	3.451,26	2.660,--	3.593,--	4.522,--	
1998	2.597,91	1.943,67	3.697,10	3.269,58	
1999	15.208,78	9.945,75	13.194,40	21.180,77	
2000	9.437,21	6.954,99	7.224,01	12.837,92	
2000/Q1	15.920,10	11.183,62	13.690,36	21.813,72	
2000/Q2	14.466,12	10.749,21	12.929,68	19.348,60	
2000/Q3	11.350,30	8.913,77	8.620,02	15.332,61	
2000/Q4	9.437,21	6.954,99	7.224,01	12.837,92	
US \$ Based					EURO Based
	NATIONAL-100 (Jan. 1986=100)	NATIONAL-INDUSTRIALS (Dec. 31, 90=643)	NATIONAL-SERVICES (Dec. 27, 96=572)	NATIONAL-FINANCIALS (Dec. 31, 90=643)	NATIONAL-100 (Dec. 31, 98=484)
1986	131,53	---	---	---	---
1987	384,57	---	---	---	---
1988	119,82	---	---	---	---
1989	560,57	---	---	---	---
1990	642,63	642,63	---	642,63	---
1991	501,50	569,63	---	385,14	---
1992	272,61	334,59	---	165,68	---
1993	833,28	897,96	---	773,13	---
1994	413,27	462,03	---	348,18	---
1995	382,62	442,11	---	286,83	---
1996	534,01	572,33	572,00	500,40	---
1997	982,--	757,--	1.022,--	1.287,--	---
1998	484,01	362,12	688,79	609,14	484,01
1999	1.654,17	1.081,74	1.435,08	2.303,71	1.912,46
2000	817,49	602,47	625,78	1.112,08	1.045,57
2000/Q1	1.575,77	1.106,96	1.355,07	2.159,12	1.936,52
2000/Q2	1.360,92	1.011,24	1.216,37	1.820,24	1.673,00
2000/Q3	996,25	782,39	756,61	1.345,79	1.319,59
2000/Q4	817,49	602,47	625,78	1.112,08	1.045,57

Q : Quarter

BONDS AND BILLS MARKET

Traded Value

Outright Purchases and Sales Market

	Total		Daily Average	
	(TL Billion)	(US\$ Million)	(TL Billion)	(US\$ Million)
1991	1.476	312	11	2
1992	17.977	2.406	72	10
1993	122.858	10.728	499	44
1994	269.992	8.832	1.067	35
1995	739.942	16.509	2.936	66
1996	2.710.973	32.737	10.758	130
1997	5.503.632	35.472	21.840	141
1998	17.995.993	68.399	71.984	274
1999	35.430.078	83.842	142.863	338
2000	166.336.480	262.941	662.695	1.048
2000/Q1	16.908.559	29.769	277.189	488
2000/Q2	47.404.847	77.770	740.701	1.215
2000/Q3	63.328.729	98.388	989.511	1.537
2000/Q4	38.694.345	57.014	624.102	920

Repo-Reverse Repo Market

	Total		Daily Average	
	(TL Billion)	(US\$ Million)	(TL Billion)	(US\$ Million)
1993	59.009	4.794	276	22
1994	756.683	23.704	2.991	94
1995	5.781.776	123.254	22.944	489
1996	18.340.459	221.405	72.780	879
1997	58.192.071	374.384	230.921	1.486
1998	97.278.476	372.201	389.114	1.489
1999	250.723.656	589.267	1.010.982	2.376
2000	554.121.078	886.732	2.207.654	3.533
2000/Q1	120.833.056	214.855	1.980.870	3.522
2000/Q2	133.805.878	219.777	2.090.717	3.434
2000/Q3	143.318.394	221.964	2.239.350	3.468
2000/Q4	156.163.750	230.136	2.518.770	3.712

Q : Quarter

ISE GDS Price Indices (December 25-29, 1995=100)

	TL Based			
	30 Days	91 Days	182 Days	General
1996	103,41	110,73	121,71	110,52
1997	102,68	108,76	118,48	110,77
1998	103,57	110,54	119,64	110,26
1999	107,70	123,26	144,12	125,47
2000	104,84	117,12	140,81	126,95
2000/Q1	106,05	120,72	147,92	117,39
2000/Q2	107,70	125,29	155,16	107,70
2000/Q3	106,86	122,93	151,35	136,34
2000/Q4	104,84	117,12	140,81	126,95

ISE GDS Performance Indices (December 25-29, 1995=100)

	TL Based		
	30 Days	91 Days	182 Days
1996	222,52	240,92	262,20
1997	441,25	474,75	525,17
1998	812,81	897,19	983,16
1999	1.372,71	1.576,80	1.928,63
2000	1.835,26	2.020,94	2.538,65
2000/Q1	1.457,73	1.673,39	2.113,26
2000/Q2	1.577,08	1.817,72	2.295,52
2000/Q2	1.573,46	1.805,46	2.281,60
2000/Q3	1.667,99	1.902,48	2.389,84
2000/Q4	1.835,26	2.020,94	2.538,65

	US \$ Based		
	30 Days	91 Days	182 Days
1996	122,84	132,99	144,74
1997	127,67	137,36	151,95
1998	153,97	169,96	186,24
1999	151,02	173,47	212,18
2000	162,19	178,6	224,36
2000/Ç1	146,71	168,41	212,68
2000/Ç2	150,86	173,87	219,58
2000/Ç3	148,86	169,79	213,28
2000/Ç4	162,19	178,6	224,36

Q : Quarter

Book Reviews

"In Search of Shareholder Value: managing the drives of performance", Andrew Black, Philip Wright, John Davies, 2nd edition, Financial Times Prentice Hall, London, 2001, pp. ix-355.

The book aims to explain what shareholder value means and how it can assist companies and their managers make better, more informed and more practical decisions. Shareholder value takes the insights of market analysts, looking at a company from the outside, have developed, transforms them into management tools-tools that can be used throughout the company to achieve genuine improvements in performance. What is unquestionable is that in the last decade or so there has been a global momentum in the economy. Capital markets, indeed, almost all financial institutions- are increasingly global in outlook. Investors are more sophisticated than ever and want to know more about a company; more than simply what dividends it has been paying in the past. Profit and loss statements drawn up in traditional ways are no longer enough; cash flow has become the most important measure.

The first part aims to introduce the basic concepts of shareholder value analysis by describing the current economic and global conditions that make shareholder value so necessary. Then the theory behind shareholder value is analyzed and the history behind that before asking the important question: what does your capital cost? Chapter 4 shows that apparently plain figures of profit and loss cannot be relied on. Rather than looking at such numbers and earnings per share, the market prefers to increase to judge a company's performance on its cash flow. This is where the shareholder value analysis come in, with its seven "value drivers": sales growth, cash profit margin (earnings before interest, tax, depreciation and amortization), cash tax rate, working capital, capital expenditure, the risk and inflation adjusted weighted average cost of capital and competitive advantage period are outlined in chapter 5. Chapter 6 outlines the various metric systems used for calculation shareholder value. Whatever refinements of calculation are used, the basic message is the same: cash is what counts.

Part 2 moves from theory to practice, and outlines the principles of

value based management. This part explains how shareholder value techniques are in practice used in corporations for analysis and planning, for action and implementation and for communication, investor relations and value reporting. This part also looks at how these shareholder value techniques should be applied not only in the ongoing business of a company, commonly called value based management, but also in the case of mergers and acquisitions and value re-creation in business turnarounds.

Part 3 moves from the global way of looking at companies to a more detailed examination of some of the variety of industrial sectors, noting that while the "value drivers" may vary, basic shareholder value analysis can apply to all of them. How shareholder value ideas are being received and applied in a selection of countries around the world, from the mature markets of the USA and the UK to the "stakeholder" economies of Europe and East Asia are reported. How the shareholder value model can be adopted successfully in developing economies is analyzed.

In part 4 everything is brought together and the future of value reporting is considered. Current trends are given to create a hypothetical company report of the future, where value creation is truly taken seriously- to the benefit of all concerned.

Modern Auditing, Graham W. Cosserat, John Wiley & Sons Ltd., Chichester, 1999, s. vii-652.

Auditing services have been changing rapidly over the last decade. The objective of this book is to provide a comprehensive and integrated coverage of the latest developments in the environment and methodology of auditing.

Chapters 1-4 set out the audit environment dealing with the role and organization of the accounting profession in the context of auditing, the nature and purpose of financial statement audits, an explanation of the nature and significance of ethical responsibilities in meeting professional expectations and a discussion as to the legal responsibility of auditors to those relying on their services.

Chapters 5 to 11 explain the basic techniques of planning and performing the audit. In Chapter 5, four fundamentals of auditing: audit objectives, audit evidence, auditing procedures and the documentation of audit evidence in working papers are discussed.

In Chapter 6, the phases of a financial statement audit are identified and briefly explained. Second, the steps involved in completing the initial phase of an audit- accepting the engagement- are discussed. Third, the steps involved in the planning phase of the audit are identified followed by an in-depth coverage of the first two steps in the planning phase, namely obtaining an understanding of the entity's business and industry, and performing analytical procedures.

In Chapter 7, the concept of the materiality used in auditing is defined and factors considered by the auditors in making preliminary judgements about this important variable are discussed.

Chapter 8 describes the nature of an entity's accounting and internal control systems and explains the auditors' responsibility for obtaining an understanding of those systems. It describes how the auditors test the design effectiveness of the accounting and internal control systems to form a preliminary assessment of the level of control risk. The chapter then explains how the auditors plan and perform further tests of controls to support (or otherwise) that preliminary assessment.

Chapter 9 explains how the understanding of the accounting and internal control systems and the assessment of control risk are used in designing substantive procedures. This involves determining the nature, timing and extent of the procedures to be performed.

Chapter 10 explains the basic concepts of audit sampling and their application in tests of controls and substantive tests of detail. Four case studies in this chapter illustrate the use of sampling in the performance of auditing procedures. The first case study involves the use of non-statistical sampling while the other three illustrate the use of different statistical sampling plans in auditing.

Chapter 11 explains and illustrates the auditors' responsibilities in compliance with Auditing Standards when a computer system is used in processing financial information.

Chapter 12 examines the audit of the balance in debtors (accounts receivable) and of the transaction classes of sales, cash receipts and sales adjustments. It identifies the audit objectives that apply to the relevant transaction classes and account balances for each of the financial statement assertions that were explained in Chapter 5.

Chapter 13 begins by identifying the audit objectives for each of the financial statement assertions that apply to the transaction classes mentioned above and to the trade creditors and accrued payroll liability balances. The rest of the chapter follows the audit process -from obtaining the understanding of the accounting and internal control systems, through assessment of inherent and control risk to the design and execution of substantive procedures.

The first half of Chapter 14 deals with the audit of stocks (inventories) and the second half with the audit of tangible fixed assets (property, plant and equipment).

Chapter 15 is concerned primarily with the application of substantive audit procedures aimed at verifying these account balances.

Chapters 16 and 17 explain the tasks of evaluating the evidence and of formulating and expressing an opinion. The former describes several key responsibilities of the auditors in completing an audit of financial statements while the latter expands on the reporting of findings .

The final chapter looks to the future and identifies issues such as the role and relevance of the auditor in the new millennium likely to be of concern to the next generation of auditors. Developments in information technology are reviewed, with specific emphasis on electronic commerce and the use of Internet.

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