

STRATEGIC PLANNING, SCENARIO DEVELOPMENT AND
ORGANIZATIONAL PERFORMANCE DURING ECONOMIC CRISES

MEHMET GÖKHAN SİVRİKAYA

BOĞAZİÇİ UNIVERSITY

2011

STRATEGIC PLANNING, SCENARIO DEVELOPMENT AND
ORGANIZATIONAL PERFORMANCE DURING ECONOMIC CRISES

Thesis submitted to the
Institute for Graduate Studies in the Social Sciences
in partial fulfillment of the requirements for the degree of

Master of Arts
in
International Trade Management

by
Mehmet Gökhan Sivrikaya

Boğaziçi University

2011

Thesis Abstract

M. Gökhan Sivrikaya, “Strategic Planning, Scenario Development and Organizational Performance during Economic Crises”

Financial and economic crises are part of the external environment of an organization, “ecosystem”, and affect organizations’ ability to survive in susceptible periods. Crises are unpredictable events but they are not unexpected. Thus, surviving companies are not the strongest ones, but the ones that can adapt themselves to any unexpected change in the ecosystem well.

Scenario development, as part of strategic planning, is a very useful instrument that provides strategic flexibility and agility for the organization. The aim of the study is to explore the best approaches to improve resilience in organizations during economic crises.

Turkey experienced five major economic crises since the 1970s. Despite the previous crises, Turkey has proved the resiliency of the country’s economy in the face of the ongoing global economic crisis. So, being an experienced emerging country, Turkey would be an interesting case for the purpose of the study.

Organizations’ reactions to the crisis of 2008 and economic performances of selected companies from real and financial sectors in Turkey are analyzed by focusing on similarities and differences in the strategic planning and scenario development activities. Their plans to cope with the crisis and outcomes of their practices are discussed to determine the best way to conduct business during the economic crisis of 2008.

The main contribution of the study is to provide empirical evidence that proves strategically flexible and agile companies survive better during the global economic crisis. Second, policy recommendations are developed to help companies to build their preparedness in the face of 2008 crisis.

This study clarifies the reasons of economic crisis and the ways economic crisis spreads out to the other economies from both perspectives of developed and emerging countries. Besides, we emphasize the benefits of strategic planning and scenario development activities for organizational economic performance during the economic crisis. Our analysis on a sample of companies from Turkey shows that companies in Turkey employed strategic planning and scenario development as a tool to survive during the period of the 2008 economic crisis. The banking industry of Turkey was strategically the most flexible industry. Energy and automotive industries are also strategically flexible, but not as much as banking industry. Results show that the more the strategic flexibility and agility company has, the more increase in profits it generates during the crisis period. Interestingly, in banking and energy industries having an emergent view of strategic planning may not be supported by the investors of those companies and lead to lower performance in stock market even when the company generates higher profits. However, in all cases, results showed that more emergent view of strategy led to higher increase in company profits. Therefore this study suggests that strategic planning and scenario development provides the organization with strategic flexibility and agility in order to survive on economic crisis.

Tez Özeti

M. Gökhan Sivrikaya, “Stratejik Planlama, Senaryo Geliştirme ve Ekonomik Krizlerde Organizasyonel Performans”

Finansal ve ekonomik krizler organizasyonun dış çevresinin, yani organizasyonun bulunduğu “ekosistem” in birer parçası olup, kritik dönemlerde hayatta kalma yetilerine etkide bulunur. Krizler tahmin edilemeyebilirler fakat beklenmedik değildirler. Bu nedenle krizler sonrasında hayatta kalan şirketler en güçlüleri değil, çevredeki beklenmedik değişiklikleri en iyi adapte olabilenlerdir.

Stratejik planlamanın bir parçası olarak, senaryo geliştirme organizasyonlara stratejik esneklik ve çeviklik kazandıran önemli bir araçtır. Bu çalışmanın amacı en iyi uygulama örneklerini araştırarak şirketlerin ekonomik krizlerdeki sürdürülebilirliğini arttırmaya yardımcı olmaktır.

Türkiye 1970’den bu yana beş büyük kriz atlatmıştır. Önceki krizlere rağmen, Türkiye ekonomisinin yapısal olarak ne kadar sağlıklı hale geldiğini son global ekonomik kriz ile göstermiştir. Bu nedenle Türkiye krizler konusunda deneyimli bir ekonomi olduğu için bu çalışmada ilginç bir vaka olarak yer almıştır.

Çalışma için reel ve finans sektöründen seçilen firmaların 2008 krizinde almış oldukları aksiyonlar, stratejik planlama ve senaryo geliştirme aktivitelerindeki benzerlikler ve farklılıkları ortaya çıkarmak amacıyla incelenmiştir. Kriz ile mücadele edebilmek için uyguladıkları planlar incelenerek, 2008 krizi döneminde başarılı olabilecek öneri modelleri belirlenmeye çalışılmıştır.

Bu çalışmanın temel katkısı stratejik olarak esnek ve çevik olabilen şirketlerin global ekonomik krizde daha başarılı performanslar sergileyebildiğini deneysel olarak ispatlayabilmektir. Sonrasında, şirketler için öneriler geliştirerek krizlere hazırlıklı olmaları konusunda onlara yardımcı olmaktır.

Yapmış olduğumuz bu çalışma ile ekonomik krizlerin ortaya çıkış nedenleri ve krizlerin diğer ekonomilere sıçradığı kanallar hem gelişmiş hem de gelişmekte olan ülke ekonomileri perspektifinden ortaya konulmuştur. Ayrıca stratejik planlama ve senaryo geliştirme aktivitelerinin şirketlerin kriz dönemindeki ekonomik performanslarına ne gibi katkıları olabileceği vurgulanmıştır. Yapmış olduğumuz analizle Türkiye’de faaliyet gösteren şirketler kriz dönemindeki stratejik planlama ve senaryo geliştirme aktiviteleri ile bu şirketlerin kriz dönemindeki ekonomik performansları incelenmiştir. Elde ettiğimiz sonuçlara göre; bankacılık sektöründeki firmaların diğer sektörlerle göre stratejik olarak daha esnek oldukları ortaya çıkmıştır. Şirketlerin stratejik olarak esnekliği ile kriz dönemlerindeki kar artışları arasında bir doğru orantı olduğu saptanmıştır. İlginç bir sonuç olarak, bankacılık ve enerji sektöründe şirketin stratejik esnekliğinin fazla olmasının şirketin borsa performansına olumlu olarak yansımadağı saptanmıştır. Sonuç olarak incelenen tüm şirketlerde şirketlerin stratejik olarak esneklik ve çevikliğinin artmasının kriz döneminde karlılığa olumlu etkisi olduğu saptanmıştır. Kriz döneminde ekonomik performansı olumlu etkilemesi sebebiyle, bu çalışma şirketlere stratejik planlama ve senaryo geliştirme aktivitelerini önermektedir.

ACKNOWLEDGEMENTS

I would like to state my sincere thanks to all my family members and friends for their support during the preparation of this study. My mother Ayşe Sivrikaya, my father Ahmet Sivrikaya and my very special friend Çağla Kocamaz were the main supporters of my motivation and performance during this study.

I would also like to thank my managers Onur Özkan and M. Özge Güney for their support and understanding during the finalization of this study. I am also thankful to my friends Barış Keskin, Murat Şahin and Mert Can Karacan for their participation in the Coding Team in this study.

Dr. Emine Nur Günay and Dr. Ayla Altinkurt Esen, my thesis supervisors, not only provided a roadmap for this study but also they contributed to its quality and richness of the content with their academic and professional experiences in the field of the study. Hence, I am grateful for their supports in this study.

I would also like to thank Serfinaz Altun and Çağlan Mursaloğlu for their support in networking for this study. On the other hand, Dr. Nisan Gökşen, Dr. Ayfer Hortaçsu, Dr. Ali Coşkun, Dr. Özlem Öktem and Dr. Aslı Deniz Helvacıoğlu Kuyucu were participated in this study by their precious comments.

Lastly, I am grateful to all the managers participated in this study who I cannot name here because of the confidentiality.

TABLE OF CONTENTS

CHAPTER I. INTRODUCTION	1
CHAPTER II. CAUSES OF ECONOMIC CRISES AND THE ROLE OF THE BANKING SECTOR DURING CRISES.....	4
The Emerge of the Recent Financial Turmoil	5
Reasons of Spillover.....	10
Ways of Transmission to the Real Economy.....	12
Financial Crisis in Emerging Countries	15
Financial Crisis in Turkey	20
CHAPTER III. STRATEGIC PLANNING PROCESS.....	30
Organization's Environment as a Factor in the Process of Strategic Planning	31
Some Challenges in Strategic Planning.....	33
An Innovative Tool for Strategic Planning: Scenario Development	38
Why is Scenario Planning Necessary for an Economic Crisis?.....	41
CHAPTER IV. METHODOLOGY AND FINDINGS	44
Method of Administration	45
Sampling.....	46
Data Analysis	52
CHAPTER V. CONCLUSION	74
APPENDIXES.....	80
A: Interview Questions.....	80
B: Coding System	82
Codebook	82
Codes before the Consensus.....	84
Codes after the Consensus	87
C: The Results of Analyses.....	88
BIBLIOGRAPHY.....	90

FIGURES

1. Real housing prices and banking crises	8
2. Inflation rate in Turkey from 2001 to 2010 (yearly change of CPI).....	23
3. Public debt to GDP ratio of Turkey from 2002 to 2010	25
4. EU Defined general government nominal debt stock / GDP (%) in Turkey.....	25
5. Budget deficit to GDP ratio from 2002 to 2010.	27
6. Current account and trade deficit of Turkey between 2002 and 2010	29
7. The Validity model	59
8. Experience in strategic planning (in years)	64
9. Success of scenarios developed during the crisis	65
10. Flexibility to respond changes in environment.....	67
11. Strategic decisions outside the strategic planning	68
12. Profit growth of companies from 2008 to 2010.....	71
13. Stock market performance of companies (2008, Basis=100).....	71

TABLES

1. Coding System for Interview Data	55
2. Coding Reliability, Validity, Proportion Agreement	61
3. Units of Analysis for the First Research Question	64
4. Units of Analysis for the Second Research Question	66
5. Profit Growth of Companies (Million TL).....	70
6. Codebook for Interview Data	82
7. Codes before the Consensus Part 1 of 2	84
8. Codes before the Consensus Part 2 of 2	85
9. Codes after the Consensus Part 1 of 2.....	87
10. Codes after the Consensus Part 2 of 2.....	87
11. Inter-coder Reliability, Validity & Proportion Agreement by Coders and Items.....	88
12. Monthly Stock Price Chance (2008, Basis=100).....	89

CHAPTER I

INTRODUCTION

This study concentrates on the strategic planning and scenario development practices in a group of companies from Turkey and their economic performances during the economic crisis of 2008. Other than questioning whether strategic planning and scenario development is an effective tool for the survival of a company during an economic crisis, our study also focuses on similarities and differences in the strategic planning and scenario development activities of these firms and the outcomes of their practices during the 2008 economic crises.

As it will also be discussed later, strategic planning and scenario development practices are most commonly held to prepare organization for possible future changes by employing the experience and data that the organization has acquired in past. The changes and uncertainties in the environment of the business make it necessary to be prepared for the future. However, the problem here is being prepared for the right future and allocating all the resources for the most appropriate choices. Any organization can be made ready for a number of different future scenarios, but the point is to be ready for the right future scenario.

We can think of the external environment of an organization as the ecosystem in which it lives. Any radical change in the ecosystem will most probably affect the living form of the organization. When we think that there are a number of organization lives in that ecosystem, some become more successful after those changes and some fail. In this context, an economic crisis can be regarded as a sudden shock to the system, even if it gives its signals beforehand. In order to be

ready for any sudden change what an organization needs is the ability to be adapted. Darwin names this the “survival of the fittest” (Darwin, 1859). Being fit means possessing ability to adapt itself to any change in the environment, therefore the fittest is the one that accomplishes this best.

An economic crisis is a good scenario to evaluate the economic soundness of a company. In order to be capable of surviving an economic crisis by the help of strategic planning and scenario development activities, an organization should predict the coming crisis beforehand and take the correct actions at the correct time.

This study focuses on the economic crisis of 2008 as the crisis scenario. Our study consists of three consecutive steps. In the first step, we start from surveying the economic crisis in order to clarify its reasons and the ways it spreads out from one economy to other from both perspectives of developed and emerging countries. The source of a financial crisis is discussed from the perspective that Mishkin (1996) has emphasized the critical position of the asymmetric information as a threat for the healthiness of a financial system by defining it as a substantial impediment to the efficient functioning of the financial system. He also stated the two basic problems that asymmetric information creates for the financial system; which are adverse selection and moral hazard. The role of the financial system and the transmission of economic crisis from financial markets to real economy are also the main points discussed in this section. This step ends with the economic crisis from the perspective of an emerging country, the case study of Turkey.

In the second step, we move on with strategic planning and scenario development. We concentrate on the steps of strategic planning and scenario development and its major challenges. The benefits of strategic planning and

scenario development practices for the organization such as strategic flexibility and agility, and its utility in an economic crisis are also discussed.

Lastly we concentrate on a sample of six companies from Turkey and investigate their strategic planning and scenario development activities in the post crisis period (from 2008 to 2010) as a case study. Findings from interviews are analyzed together with the economic performance of these companies in order to see the effect of their strategic planning activities on their economic performances during the post crisis period. Our findings also provide us with a knowledge of strategic planning and scenario development activities in Turkish companies as well as their strategic flexibility and agility.

We start our discussion with the next section in which we focus the first step of our study and the following sections continue consecutively.

CHAPTER II

CAUSES OF ECONOMIC CRISES AND THE ROLE OF THE BANKING SECTOR DURING CRISES

A credit boom, a malfunctioning credit rating system or regulatory system may be the reason of a financial crisis. As the study is concerned with the economic crisis of 2008 in Turkey as a case study, it is better to start to figure out the crisis from the beginning where it started and pushed in waves forward to emerging countries such as Turkey. We start with a general look over the recent financial crisis, and continue by discussing the crisis in literature.

In order to have a quick look over the current crisis we prefer to go to the US mortgage market where the early signs of the financial turmoil were seen in 2007. Despite the intense bail-out operations in many countries such as the USA, Japan and some parts of Europe, financial turmoil continued in 2008. The signs first become critical with the collapse of Bear Stearns which was the fifth largest investment bank in the United States. Bear Stearns was rescued with the cooperative action of the United States Federal Reserve (Fed) and JPMorgan Chase.

In September 2008, financial turmoil rose again, and this time it turned into a global financial crisis with a severe credit and liquidity problem. Stock markets worldwide faced their lowest levels ever, and many financial institutions from the United States and Europe collapsed or nearly collapsed. A number of countries, including Iceland and Hungary faced severe financial problems and called for help from the IMF in order to cope with their financial problems.

The continuing downfall of housing market in the United States induced the collapse of the financial market built on the housing market. In 2008, housing prices continued to decline at an annual rate of about 17 percent. Defaults in mortgages soared, most significantly in sub-prime mortgages and as a result the value of mortgage related assets fell dramatically. Towards the end of 2008, financial institutions worldwide reduced the book value of \$700 billion worth of asset-backed securities. Approximately, more than \$500 billion of those assets were related to the commercial banking sector (United Nations, 2009).

As the housing prices kept on falling many more write downs were expected, and this would decrease the ability of many financial institutions to survive with their melting assets. As they lost the value of their assets, they became less likely to finance their credit lending, as the credit lending decreased, the ability of the financial system to survive with its own dynamics deteriorated.

The recent financial crisis can be described with two consequent periods. The first period was the financial turmoil with a limited spillover effect until September 2008, and following one was a collapse in which the crisis spread all over the world (Furceri & Mourougane, 2009). In the next section, the first period in which financial turmoil aroused with limited spillover effect is discussed.

The Emerge of the Recent Financial Turmoil

The recent financial instability was triggered by the collapse of the US subprime mortgage market. Although not all credit booms have resulted in economic crises, it is believed that most of credit booms have been followed by banking crises, because of the belief that a rapid growth in credit lending will be a major reason for

weakening lending standards (Felton & Reinhart, 2008). They also stated that most of the major banking crises which have occurred in the last decades were the followers of fast credit growth periods and fast credit growth increases the chance of economic crises significantly by up to 75%.

In contrast, Barajas, et al. (2007) explained that not all the credit booms resulted in banking crises, even though the risk of economic crisis increases, the historical data shows that only 20% of the rapid credit growth periods had resulted in economic crisis. However, they found that approximately half of the economic crises have occurred in the periods following the credit booms. More importantly, fast credit growth periods which were longer lasting and combined with fast growing inflation and narrowing economic growth are more likely to end in economic crisis as well as the booms that are combined with the rapid growing asset prices (Barajas, Adolfo, Dell'Ariccia, & Levchenko, 2007).

The recent subprime mortgage crisis in US market can also be related to credit boom and the delinquencies in credit lending. A study found that the delinquency in US mortgage market had increased during the credit boom period with the increasing loan to income ratios, and decreasing loan denial numbers (Dell'Ariccia, Giovanni, Ilgan, & Laeven, 2008).

Another study showed that the rapid expansion of credits that lead to a growing asset price bubble were often followed by banking crises as the given example of Japan in late 1980s (Furceri & Mourougane, 2009). The case of Japan was similar to what happened recently in the US subprime mortgage market. The rapid rise in the commercial real estate and stock prices in the late 1980s was followed a sudden collapse of those prices in the early 1990s. The following period was full of banking sector defaults and slowing down economic growth.

Similar to the US subprime mortgage market failure, the financial institutions those have the real estate and stocks or have provided the loans for the real estate owners become the victims of lacking liquidity. The withdrawals became a severe problem for them, because their liabilities were fixed, whereas the value of the assets they held was falling. On the other hand they could not liquidate their assets in the market at their values because of the falling prices and the demand for those assets.

Another study which was conducted by Reinhart and Rogoff (2008) concluded that the similar periods of the industrial economies in the last 30 years have showed the similar patterns with the recent failure in US subprime mortgage market. In the worst five banking crises of the past 30 years of the developed economies of the world, the Big Five (Spain 1977, Norway 1987, Finland 1991, Sweden 1991 and Japan 1992) (Kaminsky & Reinhart, 1999), the value of the houses fell about 25% on average from their peak. Therefore recent US mortgage market crises have the signs of the Big Five as shown in the Figure 1 below. The crisis period in the figure represented by letter “t” and the time (in years) to the crisis represented by the numbers as negative or positive number of years to the crisis period.

Only the rapid credit expansion cannot be the reason or the main force for the recent financial turmoil. There are also other factors those have combined together such as the rating agency problems, excessive risk taking encouragement and regulatory failures.

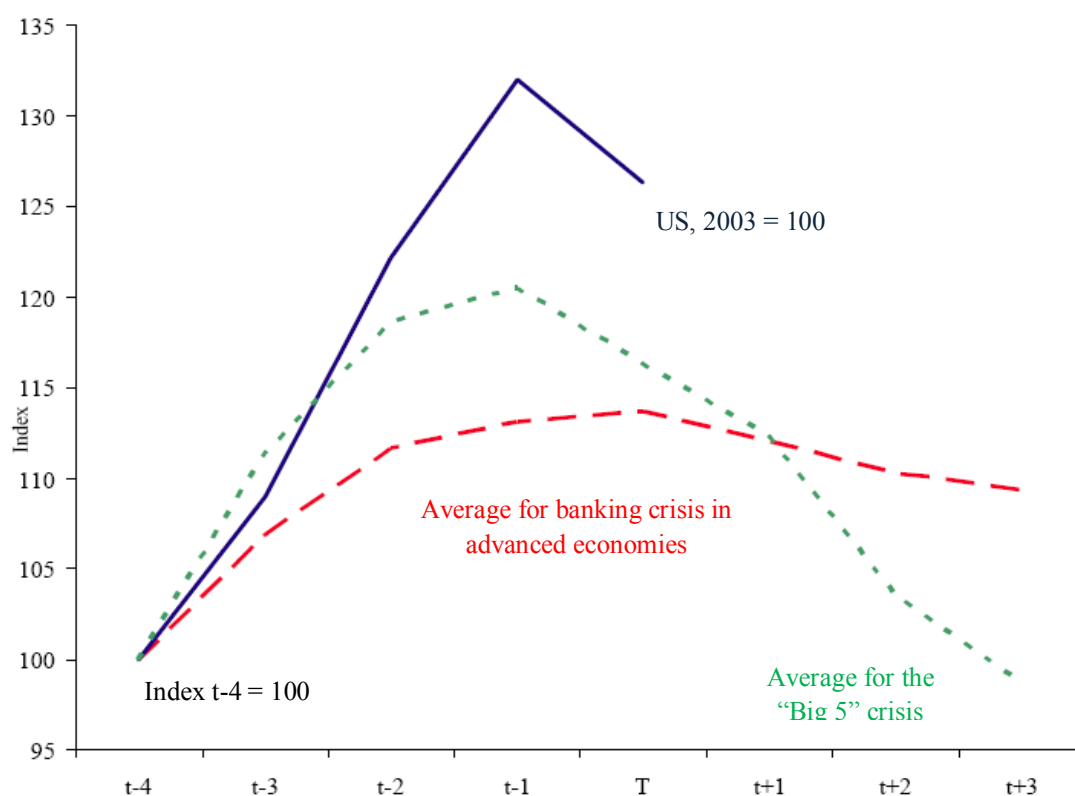


Figure 1 Real housing prices and banking crises (Reinhart & Rogoff, 2008a)

Rating agencies have played an important role in encouraging asset managers towards deploying increasing proportions of their funds to those investments that are not cost-effective. The failure of rating agencies was their lower rating of the expected losses on subprime mortgage pools in the period just before the financial crises and failing to revise them to the lower credit ratings even though the rapid growing credit in US subprime mortgage market (Calomiris, 2008).

The main force behind the encouragement towards excessive risk taking is most probably be the excess supply of global savings which created the pool of vast investments. The excess supply of the savings coming from the emerging markets had become the main source of the credits in the US subprime mortgage market (Furceri & Mourougane, 2009).

Especially in US subprime mortgage market, most of the products that are designed in recent years have constituted the traditional asset backed securities and

new products based on the sub-prime mortgages. Therefore, uncertainty about where the position of the risk is, where it is concentrated on and the level of required sensitivity towards economic cycle in the market were very large (Furceri & Mourougane, 2009). Then these complex products created the lack of understanding the dynamics of those products and the associated risk of those products by both the parties in the market and the supervisory authorities.

The complex structure of those products made it difficult to assess the value of those products. As the value of the products was difficult to assess, the change in their values could not be tracked. The impetuous tendencies of investors towards risk taking in the boom period of those securities reversed in the crisis and their risk aversion triggered the falling value of those securities. Banks became extremely reluctant in credit lending to each other, because of being unable to assess credit worthiness of the other banks as they are holding mortgage related securities in their assets. This led to a soar in interest rate spreads between the interest rate on interbank lending and the interest rate on treasury bills (United Nations, 2009). Increased spreads showed the risk premium for the credits. As the credibility of the debtors deteriorated or become impossible to assess, the spreads soared.

And finally, the regulatory failures became one of the forces that trigger the financial turmoil as well as increasing the size of the boom. Depending on the Basel I and II requirements, all the banks, insurance companies, pension funds and mutual funds were under the control of regulation which limits their ability to hold the low rated securities such as the sub-prime mortgage securities. However the regulations on banks were not comprehensive enough and more importantly excluded the commercial and investment banks from the regulations (Ahrend, Cournède, & Price, 2008).

These vacancies in the regulatory mechanisms had created a great interest in leveraging of those banks despite their capital holding requirements. The effects of this tendency towards leveraging have increased the role and the importance of the institutions those were heavily leveraging such as the hedging funds (Furceri & Mourougane, 2009).

Following the discussion on the first phase of the crisis in which the turmoil has been experienced with the limited spillover effects, we can move on with the second phase in which the effects of the financial crisis pervaded almost all over the world.

Reasons of Spillover

Mishkin (1996) emphasizes the critical position of asymmetric information as a threat for the health of a financial system by defining it as a substantial impediment to the efficient functioning of the financial system. Asymmetric information occurs in the financial market when one of the parties in the transaction has less accurate information than the other party about anything directly or indirectly related to the transaction. Asymmetric information creates two basic problems for the financial system which are adverse selection and moral hazard (Roubini & Setzer, 2004).

The effects of the asymmetric information and the transmission speed of the financial crisis over the markets were more than what should be expected in a similar case. The main driver is the complexity of the mortgage products (Gonzalez-Hermosillo, 2008).

Calomiris (2008) concluded that the asymmetric information is one of the most significant forces behind the rapid spillover of the effects of financial turmoil.

Adverse selection problem was also another factor that affected credit spreads, and money market instruments experience quantity rationing which were similar to those observed in the past such as the ones during the Great Depression period.

Adverse selection is a type of asymmetric information problem. It arises before the occurrence of the transaction when the ones who have the bad credit risks are the one who are most eager to get credits. The selection of the ones who will get the credits becomes adverse because the ones with bad credit risks will most probably be selected (Mishkin, 1996).

Adverse selection triggers another problem in the financial system. Once the credit lenders experience the adverse selection, they get confused about the selection of the ones who have good credit risks and they decide not to provide credits even though there are the ones with good credit risks in the market. This case is first discussed as the “lemon problem” and briefly described as the concern of the lenders that they will select the credit seekers with bad credit scores, and their tendency towards not providing credits to anyone despite the existence of ones with good credit risks (Akerlof, 1970).

Moral hazard is another outcome of asymmetric information. It occurs when the borrower has the motivation to invest in the high-risk projects that will provide higher returns to the borrower when it goes successful and the lender bears much of the risk when it fails. Moral hazard also occurs when the borrower has the motivation to invest in the projects that will generate less return but more side benefits to the borrower (Mishkin, 1996). This time the interest of the lender and the borrower conflict each other. As it was an important factor in the first phase of the 2008 financial turmoil, the agency problem was again a significant driving force of the second phase of the financial turmoil.

As the financial system globalised, the interaction between the financial markets also increased. The inter-bank relation and relation of the banks with the other financial institutions increased the interaction both in and between the markets. This interaction has created a chain effect which means that any situation in a financial market can affect the conditions in another one (Reinhart & Rogoff, 2008b). Therefore, globalization exacerbates the possibility of financial turmoil to be transmitted from one market to another. As it can be conveyed from one financial market to another, it can also be transmitted from financial markets to real markets through many channels as it is discussed in the next section.

Ways of Transmission to the Real Economy

A financial crisis also affects the real economy directly or indirectly. The effects of the financial crisis can be transmitted to the real economy through different channels, such as monetary policies, credit flows, cost of capital, bank capitals, wealth effects, uncertainty and exchange rate volatility. (Furceri & Mourougane, 2009).

As the conditions in the financial market deteriorate, the money supply in the real economy is also affected negatively. The supply of the money in real economy lessens and therefore the level of output declines, which results in a shrinking economy (Friedman & Schwartz, 1963).

Credit flows is another channel for financial turmoil to spread into the real economy. Debtors can access credits as long as they have the collateral for the amount that is credited to them. The collateral is generally other assets that the creditors have, and the value of those assets is the determinant of the amount of the

credit. Undoubtedly, financial crisis affects the value of those assets negatively and the debtors find themselves in trouble with the declining value of the assets that they use as collateral (Bernanke, Gertler, & Gilchrist, 1999; Bernanke & Gertler, 1995). After the value of the collaterals fall, accessing credit becomes harder for the borrowers.

On the supply side of the credit market, as the main suppliers of the credits, banks may tighten their credit lending standards and reduce the credit supply. As credits become scarce, consumption falls as well as investments, resulting in a slowing down economy. The slowdown in the economy worsens the balance sheets of the firms, banks and the households, as well. Furthermore, this deterioration in the balance sheets of the banks, firms and incomes of households creates a further adverse effect for credit availability (Bacchetta & Gerlach, 1997; Bayoumi & Melander, 2008).

This adverse effect may create a negative loop in which the banks and other lending institutions may be damaged by the real economic slowdown. The borrower will have difficulties paying for their debts, whereas the lenders will tend to withdraw their deposits from banks in order to feel safer. Following the withdrawal of the deposits from bank, banks will get in a bottleneck in finding liquidity for their assets and liabilities (Furceri & Mourougane, 2009).

The cost of capital is another path for the financial turmoil to pass through the real economy where information asymmetry is the main driver. Asymmetric information between the borrower and the lender will affect, most probably increase the cost of capital. Increased cost of capital will increase the cost of investments, therefore investment and output in the economy will decrease. Information asymmetry between the lenders and borrowers create the lemon problem in which

the increased number of demand for loans from low quality borrowers will cause an increase in credit pricing in order to distinguish the low and high quality borrowers (Bernanke & Gertler, 1987).

Bank capital is also another way in which financial distress affects the real economy. As the banks have troubles in finding capital, they will be less willing to supply credits for the economy. Then, the economy will shrink, so the banks may prefer to deleverage (Bernanke, Lown, & Friedman, 1991).

The wealth effect is a meaningful channel for the financial crisis to affect the real economy when we discuss the effect of the crisis on private consumption. Because asset prices changes in the economic crisis periods, the intention to consume private consumption goods and services also increases (Furceri & Mourougane, 2009).

A financial crisis also affects economic activity by increasing the uncertainty in the market. Increased uncertainty in the market may lead to some outcomes that create economic slowdown. First of all, uncertainty decreases the motivation of the lenders for supplying credit in the market. Secondly, those who need credits in order to make investments also become unwilling to make investments (Pindyck, 1991) As the uncertainty in the market increases, investors cannot make any projection for their investments, therefore they cannot estimate when or how the invested projects return revenue.

If the uncertainty in the economy is bundled with the increasing interest rates and decreased demand because of the crisis, the sales levels fall down and inventory levels increases. These circumstances together decrease the production level and employment needs of the firms in the economy (Pindyck & Solimano, 1993). As sales decrease, they produce less so they need less employment.

Financial crises may also affect economic activity by triggering exchange rate volatility and a depreciation of the currency. As argued, a significant devaluation of the national currency may lead to a sharp increase in domestic interest rates, a dramatic decrease in total output, employment and real wages as well as the number of the firms in the economy (McKinnon, 2000). On the other hand, the devaluation of the home country currency makes the exports from the home country cheaper relative to the others in the world market and a country may face a sudden increase in exports because of price advantage in world market. The sudden increase in exports may affect the exchange rate and the fluctuation in exchange rates may again create the uncertainty for the country.

Financial Crisis in Emerging Countries

The effect of waves of a global financial turmoil on the economies of different countries differs based on the financial structure of each country. In an emerging economy, the starting time, duration and the impact of a financial crisis on the domestic economy will be different than those of developed countries.

A study held by Roubini and Setzer (2004) concluded that there are four main lenses can be used in analyzing the emerging market crises. In each case there are different policy choices for the crisis resolution for the governing authority;

The first set of models explains that a country may be in a position that is unable to pay its debts fully and on time because of pure inability to pay. Adverse shocks in the price or the supply of the good that is the main export good of the country may distort the trade balance of the country. For instance if the country is an oil exporting

country a sharp decline in oil prices may affect the trade balance of the country negatively.

The second set of models focuses how the difficulty of writing enforceable contracts on a sovereign government leads to a potential problem of unwillingness to pay. A government may refuse to pay and declare default on the debt even though it has the ability to do so. It may refuse to pay because of enjoying the opportunity. In fact, all governments have the ability to fulfill their debt payments, because they have the management of all its resources. The allocation of resources can be modified so that the allocation also covers the servicing for debts. The government may reduce consumption and government spending so that the actual resources become sufficient to fulfill the debt payments. Therefore we can state that all defaults are strategic and opportunistic (Roubini & Setzer, 2004). As the restructuring for the debts of a government is more costly, defaulting on debt can be more attractive. However such a case will decrease the capital flows to the country and lower the credibility for future debts.

The third set focuses on the runs on the debt of a government. There is the similarity between economy of an emerging market and a bank. Both of them intend to finance long term investment with short term investments, and are exposed to the risk of being defaulted in a panic and turning from solvent into default. The main policy challenge for the government here is the prevention of the sudden rush and preventing the country being transformed from a successful economy into an avoidable bankruptcy. Also unanticipated exchange rate fluctuation in emerging countries is another critical factor that distorts the country's debts. A sudden change in exchange rates may multiply the debt of a country in a single night.

The final set of models explains the increased tendency towards risk taking under insurance. Insurance can create incentives to take much risk than can normally be afforded. As done in IMF lending, which is also a form of insurance lending, can lead reckless policies to take higher risks. Such cases may cause moral hazards as discussed earlier in this study. The domestic deposit insurance companies may encourage the depositors to keep their money in banks that are gambling on high risks and high return investments.

All of four sets emphasize different crisis cases, but none of them alone may be enough to explain the situation of an emerging country in crisis. However, more than one sets combined together can explain the situation better in some cases (Roubini & Setzer, 2004).

Mishkin, (1996) states that the factors that leads to financial and banking crises in emerging economies can be categorized as increases in interest rates, increases in uncertainty, asset market effects on balance sheets, and bank panics. Each factor will create different outcomes, or outcomes in different magnitudes, when a developed country is compared to an emerging country. Each factor increases its magnitude in emerging economies more, because of the greater asymmetric information in emerging economies.

As mentioned earlier, asymmetric information and adverse selection may lead to financial crises. Even though interest rates increase, some borrowers are the ones who are willing to pay higher interest rates, because these are the investors of the riskiest projects, and they know that if those riskiest projects are succeeded they will be the main beneficiaries. However, credit lenders may deny the credit requests of borrowers even they are willing to pay higher interest rates, because of their credit rationing. In general, the one willing to pay higher interest rates are the investors of

the riskiest project and have good credit risks, but the lenders believe that they are unable to discriminate the good credit risk borrowers from the bad credit risks because the risk of adverse selection (Stiglitz & Weiss, 1981).

This credit rationing creates the lemon problem that we discussed earlier. The credit lenders decrease the credit supply because they believe that they will not make the distinction for the ones with good credit scores. As the credit supply diminishes in the economy, number of investments and therefore the output level deteriorates.

The credit dependency of the economy of an emerging country and that of a developed country are different. In an emerging economy, the decreased supply of credits will cut off the blood for the economic development. On the one hand, new investment projects will be cancelled, on the other hand, institutions which need liquidity cannot supply their incurring liquidity problems. Then, those institutions may go bankrupt in the absence of liquidity.

Increased uncertainty because of the collapse of some financial or non-financial institutions, economic instability or sudden stock market crashes may lead credit lenders to screen for good and bad credit risks. This again turns the cycle back, and again the lemon problem occurs (Mishkin, 1996).

Asset market affect on the balance sheet, as we discussed before, can be simply explained with the declining asset values those are used as collateral for credit applications. When institutions have asset backed securities in their balance sheets, a dramatic decline in assets markets will deteriorate the balance sheets of those have securities as their assets. Deteriorated balance sheets also deteriorate the value of their collateral. Lenders rely on the existence of the collateral in the assessment of riskiness of the borrower; however, when the value of collateral diminishes the lenders again become victims of asymmetric information between the lender and the

borrower. If the quality of the collateral is good enough, the lender does not consider the fact of asymmetric information between the lender and the borrower. Because when the borrower defaults on credit, the lender can use the collateral in turn of the loss in defaulted the credit.

Gertler, (1988) concluded that net worth has the same function as collateral for firms. Even though a firm has defaults in paying its debts because of the poor investments, if the firm defaults, the lender will sell it in return for its net worth. Net worth will also motivate the lender to make loans for firms with high net worth. Enough level of net worth will eliminate the consideration of adverse selection and moral hazard risks in the mind of lender as the net worth shows the value of the assets that the borrower has. However, Bemanke and Gertler (1987) argue that sudden stock market crashes deteriorates the net worth effect . A sudden decline in stock market prices also decreases the book value of the firm and so the value of its assets. As the value of assets, and value of collateral of the firm decreases, moral hazard and adverse selection matter.

Banks have an important role in economies as the financiers of systems. As the main source of the information flow in the financial system, simultaneous collapse of the banks in the financial system creates panics. However even the banks do not fail and just face a decline in their assets their supply capacity will decline and economy will suffer the reduced funds.

In emerging countries, moral hazard and adverse selection risk will most probably be more accurate because requiring the information is more difficult in emerging countries than doing so in developed countries. Hence, emerging countries should pay particular attention to creating and keeping the sustainability of a sound bank regulatory and supervisory system to reduce excessive risk taking in their

financial systems. Then adverse selection and moral hazard problems can be reduced (Mishkin, 1996). It will be interesting to investigate Turkey as a special case of emerging country with its financial crisis and the actions taken to build a substantial financial system.

Financial Crisis in Turkey

Prior to the recent financial turmoil, Turkey experienced two more financial crises in last two decades. The first one occurred in the beginning of 1990s, the period of managed floating, and it did not attract much interest in international arena (Özatay, 2000). It also argued that in the absence of the policy mistakes during the period before the 1994 financial crisis could be avoided. The second crisis was triggered by a financial turmoil and aroused in the second half of 2000. This period was at the middle of an exchange rate stabilization program. Turkey was also affected by the recent global financial crisis. The economy moved into a severe recession in the second quarter of 2008 due to soaring oil commodity prices and the ongoing effects of the crisis.

The effects of the 2001 economic crisis were more severe than the crisis in 1994. The reason behind this fact is explained as the combination of a fragile banking sector and a set of triggering factors that made this fragility crystal-clear (Özatay & Güven, 2002). The fragility in the banking sector is emphasized in another study by Akyüz and Boratav, (2001). They investigate the drawbacks in the design of the 2000 program and the inadequacy of crisis management policies. They also pointed out the dependency of banking sector earnings on the high yield of treasury

bills because of the hyper inflation. This dependency of the earnings of the sector on inflation made all the institutions fragile to the disinflation. Furthermore, the exchange rate program that was in practice at the time of the crisis had been designed on fiscal adjustment on declines in nominal and real interest rates (Özatay & Güven, 2002). Therefore, the program was in conflict with the earnings generation dynamics of the banking system.

Another study emphasized that although the economy and the sector are both fragile, it is not enough to have an economic crisis in the middle of the IMF backed stabilization program, there are also some external factors (Alper, 2001) triggering the liquidity crisis.

First of all, Federal Funds Rate soared in 2000 by 100 basis points by the Board of Governors of the Federal Reserve System in order to calm down the U.S. economy during 2000. This was a significant increase in interest rates.

Secondly, oil prices peaked in 2000, which is the most important import commodity for both production and consumption. This increase in oil prices lead to deviation from the inflation targets of the stabilization program. Kibritçioğlu, (2000) argued that a hypothetical 100 percent increase in the dollar price of imported crude oil in Turkey would give rise to a cumulative increase in the general consumer price level of 9.4 percent within the period of next six months. Therefore, the fact that the price of crude oil increased from \$17.8 per barrel to \$35 in January 2000 and towards the end of the year it gradually declined to \$28.5 is a significant reason for the deviation from the inflation targets of the program (Özatay & Güven, 2002).

Finally, a shock with the unfavorable increase in the strength of US dollar against Euro was another external reason for the liquidity crisis. Because at that time the raw materials and semi products that were used in the production of the export

goods were being imported in us dollars, however, a significant part of the exports were to Euro zone (54 per cent of the export were to Germany in 1999). This movement in the exchange rate also deteriorated the current account balance (Alper, 2001).

The performance of the Turkish economy in the recent global financial crisis was better than that of 2001. Following the 2001 crisis the standby agreement with IMF had a significant positive effect in the country's economic performance. As a response to the 2000-01 crisis the government started to implement an aggressive anti inflationary program. In order to achieve this objective, the government started to decrease the budget deficit as a first step and then achieved the complete independence of the central bank in monetary policies in order to achieve the objective of achieving and maintaining the price stability (Oxford Economics, 2009).

In order to have a better understanding of the restructuring of financial system of Turkey, we should have a deeper insight of process step-by-step. We can group the actions under two categories; monetary policy reforms supported by fiscal policy reforms and the restructure of banking system.

Until the period of 2001 crisis banking tools that Central Bank of the Republic (CBRT) using was insufficient to put an impact on the economic condition. During the period of 2002-2008, the CBRT had the responsibility to restructure monetary policy regime and switched to floating exchange rate regime instead of fixed exchange rate regime. Main focus of the CBRT was the reduction of inflation rates by implementing an inflation targeting regime as its core action of the responsibility for restructuring monetary policy (Khakimov, Erdogan, & Uslu, 2010). It would not suffice to change the exchange rate regime without controlling inflation rate; hence the CBRT launched a step-by-step inflation targeting program.

In order to be in line with this inflation targeting regime some conditions need to be guaranteed such as the independency, transparency and accountability of the CBRT. However, when the volatility of economic conditions and the high inflation rates are considered, the direct change of the monetary system seemed to be impossible (Khakimov, Erdogan, & Uslu, 2010). Therefore, step-by-step form of switching for monetary regime was preferred, rather than a direct switching of monetary regime.

We can describe the whole process in two phases. The first phase is the switching process is called “implicit inflation targeting” and lasted about four years started from 2002. During this period, the CBRT reduced the level of inflation step wise. As shown in Figure 2 below, the CBRT reduced inflation rate dramatically from end of 2001 level. On the other hand the CBRT increased its independency, transparency and accountability.

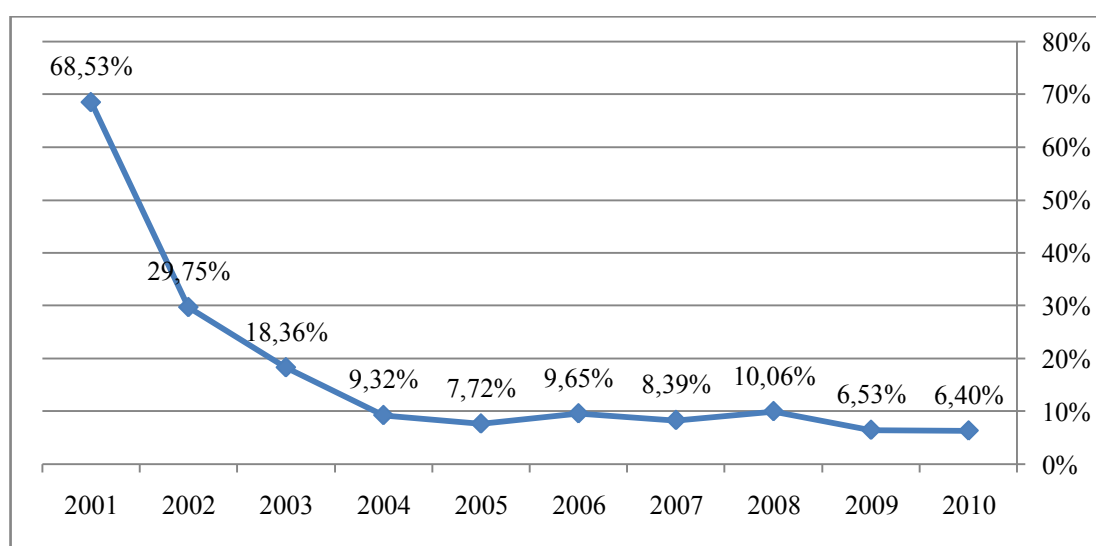


Figure 2 Inflation rate in Turkey from 2001 to 2010 (yearly change of CPI) (CBRT, 2011)

In the middle of 2006 CBRT completed switching to an implicit inflation targeting regime and the second phase commenced. Point targets for inflation rate were set and

targets modified according to Consumer Price Index (CPI). Targets were set for 3-year periods in line with the 3-year budget implementation (Khakimov, Erdogan, & Uslu, 2010).

The success of reforms in the economic system of Turkey cannot be explained only by monetary policy implications. Monetary policy on implicit inflation targeting was coupled with a supportive fiscal policy regime with economic reforms. Fiscal policy performance of the economy prior to the economic crisis of 2001 was not in a form that is able to support monetary policies on implicit inflation targeting. The level of public debt and its increasing trend was the main concern in international arena.

Following 2001, bonds issued to recapitalize the banking system, the dramatic decline in output levels and soaring real rates increased the public sector debt ratio more (Akyurek & Kutan, 2008). Soaring real rates allayed by doubling the public sector primary surplus and these actions supported by IMF funding in order to cope with negative concerns in international arena. Fiscal policies became more supportive to monetary policies gradually as government performed well in public sector surplus as the debt ratio declined significantly as shown in Figure 3.

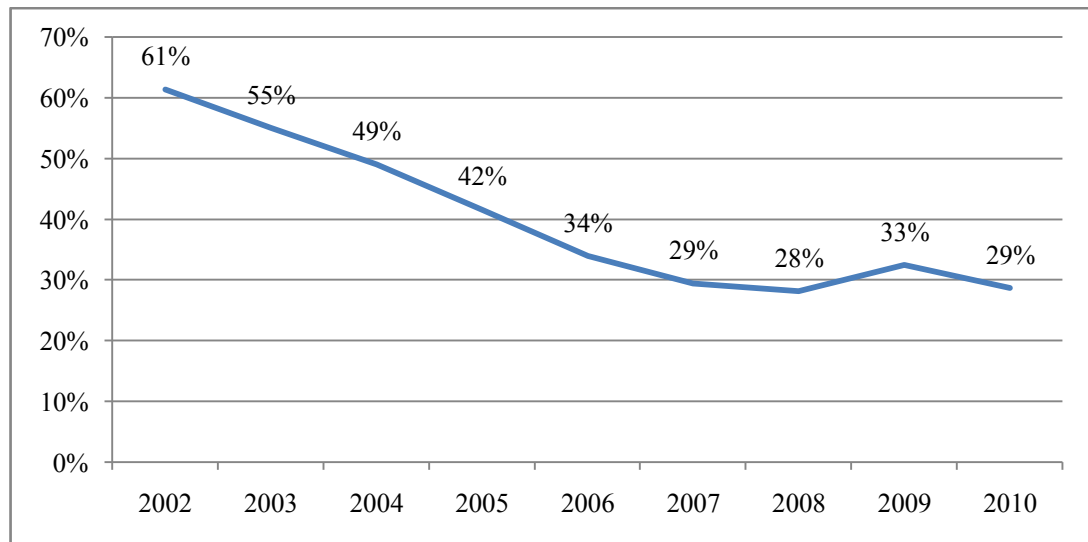


Figure 3 Public debt to GDP ratio of Turkey from 2002 to 2010 (Undersecretariat of Treasury, Republic of Turkey Prime Ministry, 2011)

The successful implication of fiscal policies also reduced the debt stock of country made Turkey one of the best performers among the European economies in reducing government debt. The general government debt stock ratio has been meeting the EU Maastricht Criteria of 60% since 2004 as showed in Figure 4.

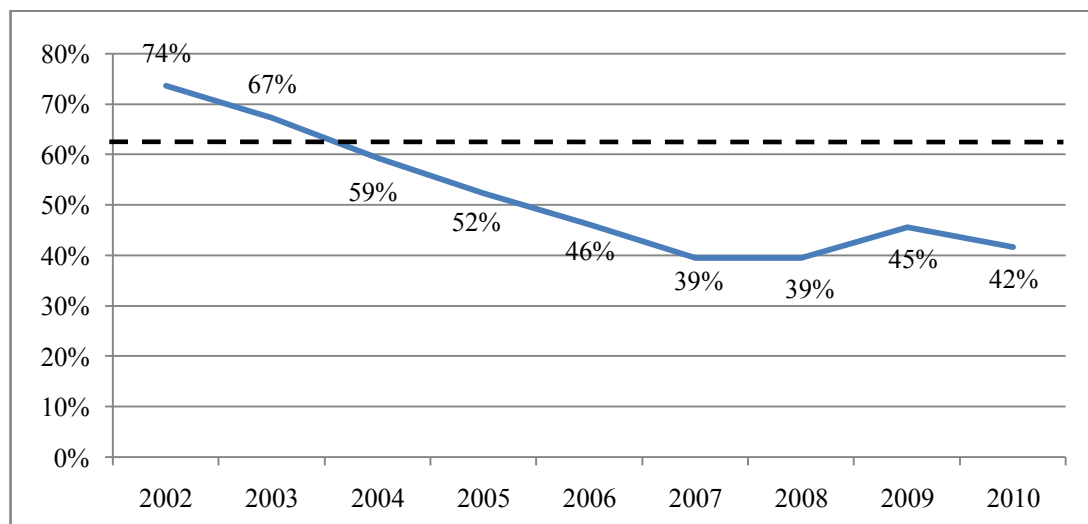


Figure 4 EU Defined general government nominal debt stock / GDP (%) in Turkey (Undersecretariat of Treasury, Republic of Turkey Prime Ministry, 2011)

In order to restructure the sound banking system the most important action was the establishment of an independent regulatory and supervisory body, the establishment of “Banking Regulation and Supervision Agency” (BRSA) on June 23, 1999. One of the main responsibilities of BRSA is sustaining a balance between securing the rights of depositors and the negative effects of deposit insurance, such as the distortion of the market conditions and moral hazard. BRSA had this role because it is also responsible for the management of “Savings Deposit Insurance Fund” (SDIF).

BRSA has the status of a public legal entity, the main role of a financial administrative autonomy and also has the responsibility of insuring savings deposits and other relevant activities. These activities can be stated as the execution of decisions on re-structuring, acquisition, merging, selling and liquidating of banks (Banking Regulation and Supervision Agency, 2010). However, it was put into operation with a year of delay; therefore BRSA could not take any necessary preemptive action before the 2000–01 crisis (Omurgonulsen & Omurgonulsen, 2009).

Following the financial instability during the crisis, government launched a new program for establishment of a sounding banking sector. The program was called “Restructuring the Banking Sector Program” which was the first phase of “Transition to Strong Economy Program” and put into action on May 15, 2001. Between 2001 and 2003, within this framework, a very remarkable improvement was achieved in the banking sector as the result of activities of BRSA and SDIF (Banking Regulation and Supervision Agency, 2003). This can also be regarded as the most extensive restructuring operation in the Turkish banking sector.

BRSA took some essential action in order to lay the foundation of a sound banking system. These actions may be regarded as a some kind of cleaning up in the system. Many banks were transferred to SDIF and operation license of some other banks were cancelled by BRSA because of their mismanagement or fraud (Banking Regulation and Supervision Agency, 2003).

All in all, economic reforms, fiscal and monetary policy implications following 2001 build the basis for a sound economic system which performed better in economic crisis of 2008. Thanks to the lower inflation rates, decreased level of public dept and budget deficit (as illustrated in Figure 5) as well as the restructured banking system, stayed prudent during the recent crisis.

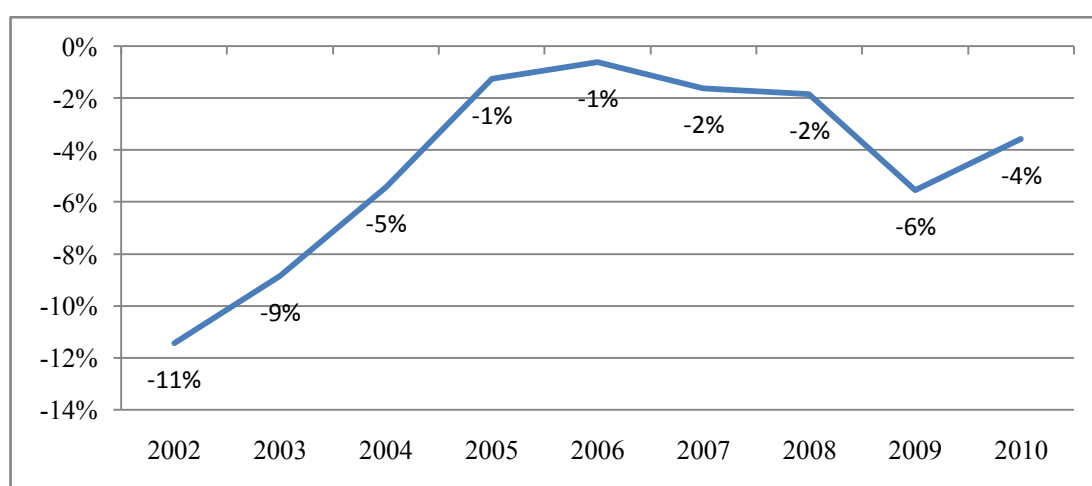


Figure 5 Budget deficit to GDP ratio from 2002 to 2010 (General Directorate of Budget and Fiscal Control, Republic of Turkey Ministry of Finance, 2011).

In the phase of global commodity price escalation in the first quarter of 2008, the country experienced a major shock with the sharp price increase in the commodities especially in the crude oil. Simultaneously this inflationary effect combined with the real income cuts. After facing the new conditions, the government and central bank decided on a revised and higher set of inflation targets. When the most severe part of

the crisis started in the last quarter of 2008, the central bank was able to ease the monetary policy although the value of the Turkish Lira had fallen in the previous couple of months (Oxford Economics, 2009). The credibility of the central bank increased by the fact that the interest rates was at the lowest level of the emerging markets since the onset of the level of inflation was little affected by the weakening value of Turkish Lira by decreasing interest rates.

Although there are a number of remarkable improvements in economic system of Turkey, Turkish economy still suffers at some points such as a current account deficit stimulated by trade deficit. Figure 6 shows the increasing demand in trade and current account deficit from 2002 to 2010. Figure shows that trade deficit and current account both decreased in 2009. However, this increase does not provide an evidence for decreasing deficits. Moreover, when we check total imports and total exports for 2009; total imports to country fell by 31 percent when compared to previous year, whereas exports decreased by 21 percent in the same year. The disproportionate difference between the changes in export and import supported the trade balance.

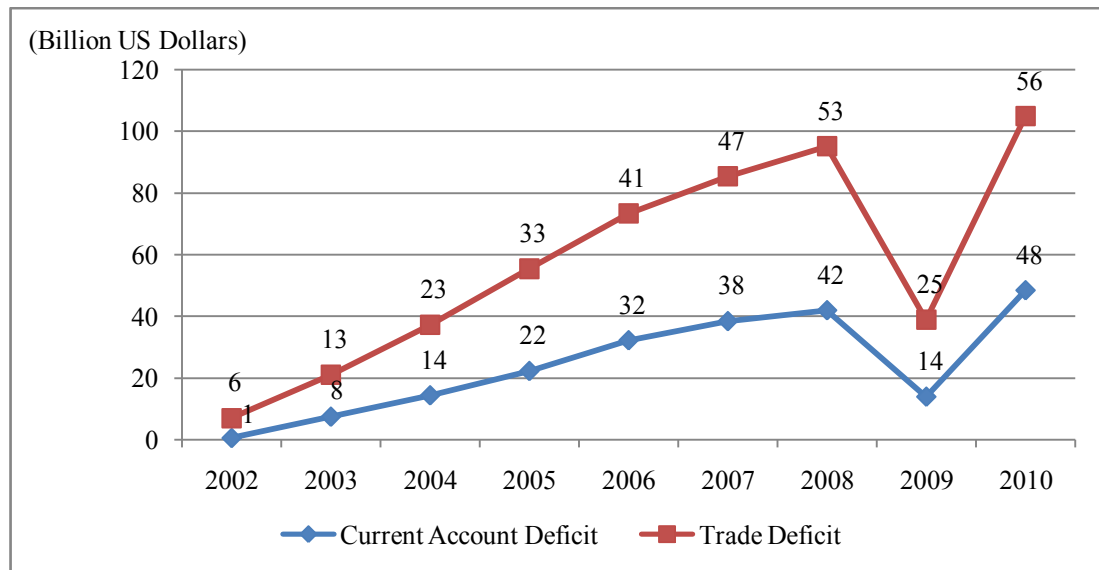


Figure 6 Current account and trade deficit of Turkey between 2002 and 2010 (CBRT, 2011)

The economic performance of Turkey after the 2001 crisis is admirable. Economic reforms, accompanying fiscal and monetary policies and restructured banking system are main successes of the country; however there is a big question mark on increasing trade and current account deficits. When we put all of these together, on the one hand, we have decreased inflation rate, government budget deficit and public debt stock ratio, on the other hand we have an increasing trade deficit. In such an economic environment it should be interesting to investigate the utility of strategic planning and scenario development for an organization. During the first part of the study, the economic crisis is reviewed. In next chapter we discuss about and try to emphasize the strategic planning and scenario development process and its benefits to organization in crisis period.

CHAPTER III

STRATEGIC PLANNING PROCESS

In order to start to discuss the strategic planning process, there should be a clear definition of the process. Strategic planning can be defined as a written long term plan which includes both a corporate mission statement and a statement of organizational objectives (Shrader, Mulford, & Blackburn, 1989).

Webster, Reif and Bracker, (1989) describe the historical development of the strategic planning process in three periods; inception, growth and maturity. Inception period is the period of birth. Strategic planning was born in the middle of 1950s and the pioneers of this process were introduced in early 1940s with the planning, programming and budgeting systems. In 1960s and 1970s, it represented a growth stage. During the growth stage, the emphasis was on the process of strategic planning and high performing companies began to pay a great deal of attention to strategy implementation as well as strategy formulation. At the time the strategic planning reached its maturity stage towards the end of the 1980s, the critics of strategic planning were started to be done, and those critics focused on the major factors in the failure cases. Then, in 1980s the strategic planning turned from a process into an activity(Webster, Reif, & Bracker, 1989).

Hopkins and Hopkins, (1997) concluded that there is a general agreement that strategic planning consists of three major components which are the formulation (including objective setting and assessment of internal and external environments); evaluation and selection of strategic alternatives; implementation and control.

As it is also used as a resource allocation process, the strategic planning process provides many functions for the organization. First of all, it brings flexibility to the organization which enables the organization to respond to any change in the environment (Grant, 2003). By providing recognition and addressing key uncertainties it helps to protect core technologies. It also provides an integrative tool to address potential synergies and acts as a basis for a control mechanism for both divisional and business levels (Lorange & Vancil, 1995).

The development of strategy is an ongoing process, and the effective use of planning review will help the organization to develop and share intelligence, challenge and develop assumption and therefore inform the strategy process (Kaplan & Beinhocker, 2003).

Organization's Environment as a Factor in the Process of Strategic Planning

The main doctrine in strategic planning management is the achievement of the match between environmental conditions and organizational capabilities and resources. The achievement of this match is critical for the performance of the organization and a strategist should either achieve or create this match (Burgeois, 1985).

The relationship between the characteristics of the planning process and the external environment of the organization has become the subject matter of a number of studies. Planning models which are designed in more complex environments were found to be more flexible, with plans reviewed more frequently and designed for shorter periods of time. The greater the environmental complexity, the greater the number of areas in which the strategic planning is applied and planning steps are

taken (Kukalis, 1991). Greater environmental complexity also correlated with the increased planning formality in the strategic planning process (Bantel, 1993).

Increased complexity in the environment requires a written and well structured planning process, because complexity in the environment brings the necessity of being prepared to different types of changes and scenarios in the environment. Some studies claim that environmental factors, such as the complexity, are more related to the perceptions of the senior management about the environment than the objective measurement of the environmental factors (Odom & Boxx, 1988; Rhyne, 1985).

Stable environments are more likely to be predicted, because the need for planning activities diminishes when changes in the environment are rare. However in an unstable environment the strategic planning process requires more planning capability, comprehensiveness and flexibility as well (Brews & Hunt, 1999). In order to be flexible to address the unexpected changes in business environments, there should be reduced planning formality, the delegation of strategic planning activity to the business unit managers and shorter time periods (Grant, 2003).

Success in the strategic planning process is a subject matter in the field. The literature is divided under two groups from the perspective of defining the success. Traditional business policy literature claims that success in the strategic planning process is a function of the degree of strategic fit between the environmental trends (threats and opportunities) and organization's core competencies (strengths and weaknesses) (Burgeois, 1985). A more recent perspective has a similar orientation that industry structure determines the firm structure which determines the economic performance (Hatten, Schendel, & Cooper, 1978). Another view is the contingency perspective which suggests that effectiveness is achieved by structuring a

management pattern appropriate to the nature of external environment of the organization (Lawrence & Lorsch, 1967).

An organization should have flexible, organic styles and structures in an uncertain environment, and more structured styles in stable and predictable environments. Thompson, (1967) also explains that there should be a co-alignment between the organization and the environment according the concept of shooting a moving target. The concept explains that the key to success in strategic planning is the organization's continuous adaptation to external conditions (Thompson, 1967). Therefore, we can conclude that the environment is a significant determining factor in the strategic planning process that shapes the whole nature of the strategy. Although the perception of the environment is mainly dependent on the environment perception of the manager, it is suggested that the organization should shape its structure according to its external environment. (Chandler, 1962). Darwin, (1859) explains that the species which survive over the time are not the strongest or the most intelligent ones, they are the "fittest ones". Being fit, as Darwin says, is the ability to adapt to changes in the environment. A continuously changing environment requires continuous adaptation. There are many challenges in succeeding in this continuous adaptation with strategic planning and scenario development.

Some Challenges in Strategic Planning

Strategic planning is a difficult process to practice; therefore it is more likely to fail in the process. Because to acquire all the necessary information related to all decision variables is extremely hard and expensive as well (Higgins, 1978). Even if handling

those many decision variables in hand and analyzing them is possible by the use of decision support systems up to some extent, many line managers use their own decision making patterns even though they think that they are using the most appropriate and the correct method by their decision rules (Lauenstein, 1978).

Most commonly, those involved in strategic planning belong to one of two groups; they are either professional planners, or line managers. The gap between these two extremes is a challenging problem with no simple solution for the organization (Reid, 1980). Mitroff, (1978) have proposed that a solution can be making the strategic planning a function in which line managers engage as well as the professional planners. This view puts both the line managers and the planning professionals together in order to achieve the perfect combination of skills.

On the other hand, there is a big challenge between the managers and the nature of the strategic planning. The nature of strategic planning is to allow change in the external environment of the organization and to promote the change within the organization. However, managers are generally not comfortable with the change, and they usually resist change within the organization as the change requires updating of their business plans (Faulkner, 1979). It has been argued that managers may resist change because of their past successes. At this point, change may be regarded as a discount to all successes in the past (Jager, 2001). Another study argues that the personality conflicts between the super and sub ordinates may be the reason for resistance to change (Stanislao & Stanislao, 1983).

Most of the time, strategic planning cannot go beyond the papers on which it is written. The resistance for change, managerial perspective or something else can be the reason, but the problem is significant; that is making strategic planning live. A study found that in order to make the strategic planning process live it is required to

achieve the permeation of the planning effort, making it an ongoing process and simulating the strategic thinking (Reid, 1989).

Permeation requires the collective action. Barnard, (1948) concluded that collective action cannot be possible unless the purpose is shared by the whole organization, or shared in part. The inclusion the whole organization is essential for the success of the planning process. Line managers should be included as well as top managers. Ford, (1978) concluded that in order to achieve the permeation commitment of those who will execute the plan is a necessity. Therefore line managers should take part in the planning process. On the other hand, without the commitment of the chief executive to the objectives, as well as the strategic planning process, the process cannot be successful (Redwood, 1977). Moreover, in the process of creating permeation, communication is an essential tool. The process of permeation by communication is a crucial stage in the adaptation of a planning culture and conversely a failure in this stage creates a failure in the planning process (Lipinski, 1978).

In most cases, planning mechanisms in the companies discourage the management team from thinking the strategic planning process on a continuous basis. As the current rewarding systems are structured on recognizing the actions or decisions which have positive outcomes rather than the expended effort during the period the action was taken. Therefore, strategic planning documents remain as they were in the first day of the application period (Evans D. G., 1978). In order to have strategic planning as a continuous process, the most important thing firms have to achieve is learning to react, in other words being capable of using review and control mechanisms (Ansoff, 1979).

In order to cope with all these challenges it is necessary to:

- establish operating philosophies
- position the business
- commit to strategic objectives
- review and control

Matushita, (1986) emphasizes the crucial importance of formulating the mission statement for a business, and concludes that without a mission statement a business cannot operate soundly. The mission statement can serve as a motivator for those who can play a role in shaping the future of the business. In order to have a mission that will shape the future of the business and attract the commitment of all parties can be created by taking the steps below (Reid, 1989);

- dedicating enough time and intellectual capacity to formulate the mission statement,
- comprehensive understanding of the market and figuring out the new opportunities,
- establishing qualitative goals in line with the competitive advantages,

In order to achieve these steps an organization should answer the questions below;

- What is our business?
- Who is our customer and what represents the value to him?
- What should be the business be in the future?

These questions are really hard to answer in today's world. However, Drucker, (1968) concluded that answering those questions is not easier today than it was in the past. The hardship of answering those problems does not stem from the questions themselves. They are hard to answer because the achievement of common view is not an easy process. In general creation of common tendency cannot be achieved.

There will always be the tendency of one party to attract the focus of the others to one direction which will not be the common one. Therefore, the management should ensure a general consensus before answering those questions.

Positioning the business is not an easy task. It has been seen as it is achieved at a point in the past of the business. However, “positioning” implies more than the outcomes of a series of actions that the business made in the past. Positioning should be predetermined series of actions that will provide the optimum position to the firm among the needs of customers, positioning of the rivals and capabilities of the firm (Reid, 1989). Positioning becomes beneficial when it is built on synergy (Keagan, 1983).

Although review and control are extremely necessary for the success of the planning process, most of the time review and control are regarded as a set of unnecessary actions, or actions they are not urgent. Urgency makes the actions preferred more to be taken, and then plans get dust on the tables. The problem here is the confusion of urgency with the importance. Therefore, the processes that seem not to be urgent, even though their outcomes have greater impact on the business, regarded as not necessary. However, they are more important than most of the other processes in progress because of the magnitude of the outcomes. Thus, review and control should be recognized with their importance. Strategic plan should be controlled and revised whenever it is necessary, because it should be a living mechanism and should be changed as the variables in the external environment change (Faulkner, 1979).

After we discussed achieving the permeation, and making strategic planning an ongoing process, we move on with the simulation of strategic thinking. In many cases strategic planning is criticized because being of useless or time consuming.

However, Porter, (1987) explained that the solution is not abandoning strategic planning; it is a simulation of strategic thinking. The deterioration in performance can only be overwhelmed by the execution of more strategic thinking.

Strategic planning is not an easy project as we discussed earlier. There are many factors that affect the strategic planning process and distort the success of the process. Although strategic planning is regarded as a bulky and traditional method of planning, there are also more innovative ways of preparing strategic planning such as scenario planning. In the following section we focus on the innovative way of strategic planning with its benefits for the organization.

An Innovative Tool for Strategic Planning: Scenario Development

Strategic plan is mostly related to developing a plan to implement a strategy; however it is not related to planning strategically. As Mintzberg (1994b) suggested, strategic planning must be the artistic composition of words. Traditional models strategic planning considered as not producing strategies that are capable of coping with the changes and uncertainty in the external environment.

Although many organizations have the massive planning processes, their corporate strategies fail most of the time, and they are unable to read the signals in the external environment because of the most crucial thing missing in the traditional planning models. The traditional models that are based on the quantitative data miss the essence of thinking strategically(Liedka, 2004). The strategic planning process is done for the future, so it is inevitable that it includes uncertainty. Whenever uncertainty is included, it requires more than the quantitative data. Because there is

uncertainty, there should be some speculating about the future and drawing of the alternative scenarios for future (Van der Heijden, 1996).

Scenario planning is a disciplined tool for imaging the different possible futures of the company. Therefore scenario planning differs from other planning methods in many ways. First, it differs from contingency planning. Contingency planning examines only one uncertainty whereas scenario explores the joint impact of numerous uncertainties. Second, sensitivity analysis examines the effect of a change in one variable while keeping all others constant. On the other hand, scenarios examine the impact of a simultaneous change in many variables. In short, scenarios attempt to make a description of a wide variety of possibilities and simultaneous changes. At the same time it organizes those possibilities into stories of future that are easier to commit, communicate and follow compared to working with the great volume of data (Schoemaker, 1995).

Scenario planning allows for compensation between two common errors in decision making: the over prediction and under prediction of the magnitude of change. Most people become the victims of first error, because people tend to forecast the rate of change lower than what it will be. Therefore it allows us to chart a middle ground between under and over prediction. Scenario planning makes it possible by dividing our knowledge into two areas; the things that we know something, and things we consider as uncertain or unknown (Schoemaker, 1995).

A simple approach to identify extreme worlds can be putting all negative elements in one and all positives in other. The steps of the process can be stated as;

- Defining the scope; setting time frame and defining the scope of the analysis.
- Identifying the major stakeholders, identifying all the parties those will have a role in these actions, or will be affected from outcomes of those actions.

- Identifying basic trends; all trends should be identified briefly including the explanation of why and how they affect your organization.
- Identifying key uncertainties; which events and outcomes of which are uncertain should be determined. All the uncertainties and their possible effects on the organization should be identified.
- Constructing initial scenario themes; once trends and uncertainties are identified, the context of scenarios will be ready to develop.
- Checking for consistency and plausibility; first of all trends should be compatible within the chosen time frame. Then, scenarios should combine the outcomes of all uncertainties included. Then thirdly, major stakeholders should be included with regard to their positions and effects on the organization.
- Developing the learning scenarios; at this step of the process the initial scenario themes should be checked and if they are plausible and consistent they should be turned into learning scenarios. As initial scenario themes draw the boundaries of each scenario, the learning scenarios will cover all the trends and uncertainties in a consistent and plausible composition. It is also important that each scenario should have a name, because scenario is a story and the title should have the essence of the story.
- Identifying the research needs; at this point there may be a further research in order to understand the trends and uncertainties.
- Develop quantitative models; managers can use quantitative models in order to assess the results of each scenario qualitatively.

- Evolve towards decision scenarios; in an ongoing process a manager must converge towards scenarios which eventually use to test the strategies of the organization and generate new ideas (Huss, 1988).

Once strategic scenarios are developed, the executive team should expand those scenarios throughout the organization in order to simulate managerial thinking.

Strategic scenarios can also be used to evaluate the new project proposals. By the using the strategic scenarios for the projects future cash flows in each scenario can be evaluated (Schoemaker, 1991).

Why is Scenario Planning Necessary for an Economic Crisis?

As we mentioned earlier, scenario planning fits the organization with the ability to interchange its strategies among the different futures for what it had been prepared beforehand. This form of preparedness equips the organization its strategic flexibility.

Strategic flexibility explains the ability of an organization to manage both economic and political risks by rapidly responding in a proactive or reactive manner to market threats and opportunities (Grewal & Tansuhaj, 2001). Firm should have proactive strategic flexibility for the threats and opportunities that are foreseeable, whereas it should have reactive strategic flexibility for those of unpredictable.

Similarly, Evans, (1991) addresses strategic flexibility under two constructs; the offensive and the defensive strategic flexibility. Offensive strategic flexibility aims to create and seize an initiative action, on the other hand, defensive strategic flexibility aims to protect and guard against the unforeseen changes in the environment. Hence,

in the case of economic crisis the most critical form of strategic flexibility is reactive, as an economic crisis is very hard to predict in terms of extent, nature, timing and duration (Evans S. J., 1991).

The response of the organization should be based on a composition of both external and internal prospects of the organization with a high reaction speed. The reaction speed can be best achieved by the organization's ability to adopt itself to the changes in the environment that it operates (Pandelica, Pandelica, & Dabu, 2010). Darwin explains the case as the "survival of the fittest" as we discussed before. He stated in survival of the fittest that the species survived during the time are not the strongest or the most intelligent ones, they are the "fittest ones" (Darwin, 1859). Here, the term "fittest" is not being physically fit; rather it means ability to adapt itself to the changing conditions in the environment best.

During the economic crisis, dynamics of the environment can change unpredictably, therefore we expect that surviving companies would be the ones those can adapt themselves to unexpectedly changing environment well, not the strongest ones. This ability to adapt requires the readiness for changes. At that point scenario planning becomes a very innovative tool that fits the organization with the strategic flexibility and agility.

However, formulating a strategic plan and developing strategies does not mean that the organization has the full flexibility and agility. Formulation perspective of the here has a critical role in developing the strategic flexibility and agility. Dibrell, et al. (2007) argue that there are two opposing perspectives of strategic planning process; one is the "deliberate" view (Ansoff, 1991) and the other one is "emergent" (Mintzberg, 1990; Mintzberg, 1991; Mintzberg, 1994a; Mintzberg, 1994b) form of strategic planning. In deliberate strategic planning the strategic plan

is designed and applied afterwards, whereas in the emergent view of strategic planning, strategies were realized but never designed. There can either be no strategies, or designed strategies were not implemented. The deliberate view of strategic planning can be described as mechanic, strict, top-down and relatively more efficient than the emergent form of strategy which is less formal, flexible and intensifying (Dibrell, Down, & Bull, 2007).

The emergent form of strategic planning has a more organic and highly reactive structure towards changes in the environment. It has more broad scope of objectives and philosophy of learn as-you-go (Mintzberg & McHug, Strategy Formation in an Adhocracy, 1985). Emergent style of strategy formulation has been criticized because of being highly reactive to the changes in the environment (Hendry, 2000). However, Dibrell, et al. (2007) advocates that realized strategies of most companies would be some combination of these two opposing perspectives of strategy formulation. In order to have strategic flexibility it is not recommended to shift toward emergent strategy totally, it should like walking on two feet; one is deliberate and the other is emergent (Mintzberg & McHug, 1985). Therefore an organization should have a perspective of strategic planning that lies somewhere between deliberate and emergent.

All in all, these arguments lead to ask the basic question: How experienced are Turkish companies in strategic planning and scenario development? Followed by the critical question: What is the combination of deliberate and emergent strategic views, in other words how flexible are their strategic plans? And the last question: Do these firms differentiate in economic performance during the economic crisis of 2008?

CHAPTER IV

METHODOLOGY AND FINDINGS

A qualitative research is conducted in this study by following three consecutive steps. First, we surveyed the literature on economic crisis in order to clarify the factors leading to economic crisis and the ways it spreads out from one economy to other from both perspectives of developed and emerging countries.

Secondly, we continued with the literature on strategic planning and scenario development. We discuss the steps of strategic planning and scenario development as well as its major challenges. We also emphasized the benefits of strategic planning and scenario development practices for the organization such as strategic flexibility and agility, and the utility of it in economic crisis. After completing the first two steps we highlight the benefits of strategic planning and scenario development for organizations in economic crisis.

In the last step, we concentrate on a sample of six companies from Turkey and conducted structured interviews with the managers of companies in order to analyze their on-going strategic planning and scenario development activities, their achievements and evolution in process of scenario development following the period of economic crisis of 2008. We mapped the strategic flexibility of each organization in our sample. Then we analyze the economic performance of those companies during the period following the crisis. Analysis for the economic performance was held after semi-structured interviews because it was intended to understand and

evaluate scenario development practices independently of their economic performance.

Method of Administration

Prior to start the interviews two interviews were practiced with the midlevel managers from the two companies in our sample. Our intention was to check the performance of structure that we planned to use. Some questions were revised owing to confusing structure of questions themselves. Then, final form of question set was prepared as shown in Appendix A.

We performed six interviews with eight upper level managers from the companies in our sample. A semi-structured interview method was followed so interviewees were informed and questions were handed out to the respondents beforehand the interview. Interviews were selected from the managers of the departments responsible from the strategic planning in order to have a managerial perspective of the process.

Each question drew the extent of the conversation for the moment, and the respondents were refocused on the main issue whenever they wandered away from the subject. During the interviews, the interview question set was followed as the structure. The interview question set was prepared based on the question set Dibrell, et al. (2007) applied in their study on strategic planning. Some questions were eliminated and a new section about the economic crisis of 2008 was added in order to understand company's strategic planning performance during that period and the affect of economic crisis on the planning process as shown in Appendix A.

Sampling

The sample of our study consists of six companies from Turkey. A non-probabilistic, judgment sampling method is used so that the most appropriate companies were selected. In sampling we have used triangulation (Weston, Gandell, Beauchamp, McAlpine, Wiseman, & Beauchamp, 2001) by acquiring data from six companies operating in different sectors (finance, real sector) in different industries (banking, energy, automotive) and different settings (foreign vs. domestic, importer vs. exporter, producer vs. distributor).

In deciding the sectors, industries and the companies we had the following considerations;

- Each company must be quoted in Istanbul Stock Exchange (ISE) so that we could acquire reliable financial data of the company.
- Companies must be chosen from different sectors and different industries so that our sample represents the whole economy better.
- Each industry should have at least two companies with different settings. If one is domestic, other one should be foreign, if one is net importer, the other one must be producer or net exporter.

Finally six companies from two sectors (finance, real sector), in three different industries (banking, energy, automotive) with different settings (foreign vs. domestic, importer vs. exporter, producer vs. distributor) were chosen. As discussed earlier, crisis in financial markets affects the real economy from different channels and spreads into the real economy. Therefore, both financial and real sectors are included in this study. However our sample was not equally distributed between these two

sectors, because there should be more companies from real economy for better representation of both production and consumption sides.

In the energy industry, companies were selected as producer and distributor because in the recent economic crisis sector had a great exposure of crude oil prices. Therefore we included the effects of commodity prices on the industry from both sides. In the automotive industry, companies selected as the exporter and importer in order to comprise both sides of the industry, as the industry faced a sudden decline in demand as the first sign of economic crisis. In the banking industry, a foreign owned and a domestic bank were selected in order to include both managerial perspectives in our study.

Financial Sector

The banking industry represents the financial sector in Turkey with two banks (Bank1 and Bank2) which will be introduced later. In order to respect the confidentiality names of the companies in sample are not declared, instead each company is identified with the name of the industry in which it operates. Available information on the website of the companies is used in company descriptions.

We can explain our judgment in selection of banking industry with two main reasons. First of all, banks are the main drivers in financial sector of Turkey. As discussed earlier, banks have important role economies because of their being the financers of the systems. Other than being the financers of the system they have another critical role in the system; being the main source of the information flow in financial system.

Secondly, recent developments in the banking sector of Turkey following economic crisis of 2008 increases the attractiveness of industry for our research. The Monetary Policy Committee has followed a strict tightening policy since the third quarter of 2008 which decreased policy interest rates from 16,75% to 6,50 in two years (CBRT, 2010). This policy is being followed with increase in required reserve ratios. On the other hand, in 2009 the banking industry become the one that created the biggest employment whereas the number of companies in the finance sector decreased by 3.4% compared to the previous year. In 2009 total assets of the sector reached its lowest level of growth with 13.9%, and then bounced its growth rate on total assets to 18.3% in the second quarter of 2010. While the total share of banks in finance sector in 2009 remained the same as the previous year with 80%, the 90% of total profit in finance sector was generated by banking industry in 2009 (Banking Regulation and Supervision Agency, 2009).

Bank 1 is the one of five largest private banks in Turkey¹. It has the vision of being the most admired company with the best people and sustainability in outstanding performance. It has more than 900 branches all over Turkey. Bank 1 is a domestic enterprise and has been operating for more than 60 years. Bank 1 represents the domestic-owned Turkish banks in our sample.

Bank 2 is also one of the five largest private banks in Turkey². It has the vision of being the architect of any financial plan that leads to success. It operates with more than 500 branches in Turkey and is very young when compared to Bank1. Bank2 represents the foreign owned banks in our sample.

¹ According to size of total assets as of September 2010 (The Banks Association of Turkey, 2010).

² According to size of total assets as of September 2010 (The Banks Association of Turkey, 2010).

Real Sector

Energy industry and automotive industry are chosen as the representatives of real sector in Turkey. Each industry is also represented with two companies (Energy1 and Energy2 for the Energy industry, Automotive1 and Automotive2 for the Automotive industry). Descriptions made about the companies again depend on information available on the website of each company.

The energy industry is selected as one of the real sector industries because of its exposures to commodity prices during crisis. Relatively to the other primary commodity markets, oil markets were the most affected one from the sudden decline in economic activity in the last quarter of 2008. Oil prices reached its all-time record peak of \$143 a barrel on July 11, then it eased down towards the range of \$40 - \$50 (IMF, 2009). Decreasing production levels decreased the demand in oil. Even though OPEC cut its production levels, supply of petrol exceeded the demand which created the inventory costs for energy producers.

Deteriorating economy and slowing down production had also affected other energy markets. For instance, at the end of 2008 coal prices had fallen by more than 50 percent from its peak level of July because of the declining demand for energy, especially downturn in steel production globally (IMF, 2009). Major suppliers of coal had also cut the production.

Energy1 is one of the largest energy producers of Turkey. It has been operating in the energy industry for more than fifty years. It is the largest producer in the refining sector. The company has the vision of supplying energy need of Turkey.

Energy2 has been operating for 50 years. The main operating area of Energy2 is the distribution of LPG. It has a very large and developed distribution channel with

more than 2,000 dealers and 1,000 gas stations and the largest fleet of overland tankers. Company has the vision of expanding energy resources of Turkey by generating alternative projects that lead to meet energy need in future.

As the second representative industry of the real sector, the automotive industry is selected. In order to explain that why the automotive industry is selected as the second real sector industry we should explain the effects of economic crisis on this sector. In the second half of the year 2008 automotive industry had a global decline in demand that has never been experienced before. The global shock expanded in automotive industry all over the world. Undoubtedly, most affected parties were the producers.

The three big automotive producer of the United States, “Detroit Three”³ had an overall decline in demand starting from the early periods of 2008 and went to a cut in labor force. Automotive producers tried to focus on domestic market; however they could not achieve to sell. The major problem is most of the cars produced are not the cars that Americans wanted to buy because of the lack in innovation and environmental concerns. In European industry the case was not much different. The sales of passenger cars in the European industry fell down by %15 percent, and sales of commercial cars fell down 30% percent. On the production side passenger cars and commercial vehicles decreased by 25 percent and 60 percent respectively (International Labour Office, 2010). On the other hand, economic crisis and slowing down automotive industry created acquisition opportunities for some Asian car makers. For instance, Indian TATA acquired Jaguar and Land Rover from Ford.

³ The Detroit Three is the name used for the three big automobile producers in the United States: Chrysler, Ford and General Motors (GM).

The automotive industry in Turkey experienced a long term growth from 2002 to 2008 and had a slight decline in the last quarter of 2008 stemming from domestic reasons like loss of consumer confidence despite the fact that performance of domestic financial sector was sound (Deloitte, 2010).

Financial turmoil lessened the credit availability as we mentioned before, increased the interest rates on credits and increased Turkish Lira cost of imported cars because of the deteriorating exchange rate. There was no need for rescue package, however demand in domestic market needed to be stimulated. Hence, Turkish government created a reaction program which would decrease the Special Consumption Tax (SCT) as well as in Value Added Tax (VAT) which were the two main taxes on vehicle purchases. This reduction is applied equally for both domestic and imported cars for the smaller-engine cars (up to 1,600cc) which constitute an important part of total domestic production. The result was prosperous; in 2008 sales of passenger cars in domestic market faced a decline by 17% in overall which was recovered with an increase of 9.4 percent in 2009. The momentum also continues in 2010 (Deloitte, 2010).

All in all, automotive industry became one of the sectors in which we intended to track the strategic performance of a company during the economic crisis of 2008. We have selected two companies; one of which is an importer/distributor, the other one is a local producer/exporter.

Automotive1 is an importer company. It operates in domestic car industry as a distributor. Company has the vision of providing creative solutions beyond the expectations. It is the main distributor of 15 brands in Turkey. Other than distribution, company provides used car sales services, fleet leasing, financial

services and vehicle inspection services. However the core business of the company is sales and distribution of import cars.

Automotive2 is one of the larger automotive producers in Turkey. It has been operating for more than 40 years. Company sells its products globally as well as in the domestic market. The company has the vision of being the pioneering automotive producer of Turkey. The core business of the company is production of passenger cars and light commercial vehicles (LCV).

After we introduce our sample we continue with data analysis as the last step of our study. In the following section the method of analysis used for interview data, the findings and comparison of findings from interviews with the economic performances of those companies is discussed.

Data Analysis

Following the review of the literature process we analyzed the qualitative data that was gathered during the structured interviews. After all structured interviews with 8 managers from 6 companies were completed; the transcript for each interview was prepared. Data analysis followed two main processes; analysis of qualitative data acquired from interviews and analysis of economic performance of sample companies during the period of 2008 – 2010.

Analysis of Interviews

There are many suggestions about the coding and reporting of interview data in the literature. However we followed the method suggested by Weston, et al. (2001) as a result of their seven-year study on coding and analyzing interview data. As the initial step, we started with the coding of the data generated by interview transcript.

Therefore we first needed to create a coding system for our data, and then we coded and reported the interview data. In order to test the reliability and validity of our coding we followed the steps that Crittenden & Hill, (1971) recommended for coding reliability and validity of interview data.

Coding process followed the methodology used suggested by Weston, et al. (2001). Therefore we started to the process by defining the codes. An iterative process applied by going backward and forward in data to develop the codes and create a better understanding of the responses. Thanks to the structure of the questions and the area we are studying in, the codes are defined easier than expected in literature. As the interview questions categorized in line with our information needs, questions themselves compromised the codes. What we needed to do was re-categorize and qualify the questions based on our information requirements under coding system. Some questions were eliminated such as the questions related to overall description of the business area of company, because they were used for making interviewees more comfortable involved in conversation. Qualified questions and the answers of interviewees for those questions searched again and again in iterative process in order to develop the codes.

The product of our process was a three-tier hierarchical system as shown in Table 1. Tier 1 represents the top level of codes in the coding system which is

mainly shaped by structure of interview questions. There are three main groups of codes at the top level; “Strategic planning and scenario development process”, “Flexibility of strategic planning” and “Performance of the planning during the crisis”. In Tier 2 we define two sub-categories for each group of codes. “Strategic planning and scenario planning process” is defined with two sub-categories; “Planning” and “Communication of the Plan”, whereas “Flexibility of strategic planning” is defined under “Ability to be flexible” and “Intention to be flexible”, lastly “Performance of the planning during the crisis” defined under “Success of the planning process” and “Changing planning scope and structure”. In layer three we have defined 16 codes as total of 6 sub-categories as shown in Table 1.

Following the coding system, the codebook was developed in order to define rules for scales of each of 16 codes in Tier 3. Different from study of Weston, et al. (2001) we define scales for each code rather than defining the Tier 4 level for Tier 3 codes. For instance; “Experience in strategic planning” in Tier 3 has the scales of “None”, “0 to 2 Years”, “2 – 3” Years”, “4-5 Years” and “More than 5 years” as shown in Table 6 in Appendix B.

Table 1 Coding System for Interview Data

Coding System for Interview Data					
Tier 1	Strategic Planning and Scenario Development Process		Flexibility of Strategic Planning		Performance of the Planning During the Crisis
	Planning Process	Communicating the Plan	Ability to be Flexible	Intention to be Flexible	
Tier 2	Success of the planning process				
Tier 3	Experience in Strategic planning	Output	Flexibility to respond changes in environment	Strategic decisions outside the strategic planning	Being preparedness for the economic crisis
	Frequency of planning and revisions	Level of Communication	Response speed	Intention to diverge from the strategy	Success of the scenarios developed during the crisis
	Time requirement for planning				Company's economic performance during crisis
	Environmental dynamism				
	Number of Parameters to be followed				

We continued with the coding as we build the coding structure with our coding sheet. Development of codes was an easier process relatively to code the data in transcripts. On the purpose of reaching general results from same transcript, there should be general rules of interpretation so that each coder reaches the very similar results. As the data was qualitative we used the term “very similar” rather than using “the same”.

A coding team was formed with four members; one business professional with finance and economics background with M.A degree, two senior year students from engineering and one graduate student. We designed a coding team with members from different backgrounds so that this coding team would provide us with a different perspective and a medium of testing our coding system. Several meetings meeting made with coding team members one-by-one to complete coding process beyond the group bias and final meeting in purpose of reaching consensus on items there were no general agreement. The final coding decisions is made as the decision criterion which will be used in both measuring the reliability and validity of the interview data.

There were some coding items which were responded differently. In those cases the coding team discussed the item until they reached consensus. As there are four coders, the maximum number of distinct codes was four. Almost in all codes the scales coded by coders matched, however in a few cases there were differences, naturally. In order to be able to measure the reliability we have treated the codes as “before the consensus” as the original form of responses before reaching agreement on differences and “after the consensus” which is also used as decision criterion. The validity and reliability of each item is tested by employing the data before the

consensus as the test data (shown in Table 7 and Table 8 in Appendix B) and used “decision criterion” or “after the consensus data” as the controlling data (shown in Table 9 and Table 10 in Appendix B).

For the purpose of testing the reliability and validity of our coding, the steps that Crittenden & Hill, (1971) suggested for coding reliability and validity of interview data were followed.

As there were more than one coder, inter-coder reliability became a concern for us. The critical challenge in coding interview data is proving that the coding results are objective or reproducible. Objectivity becomes a real concern because it requires that identical researchers should reach the same results after following the same procedure with the same data set (Crittenden & Hill, 1971).

We should clarify some points beforehand the analysis. Item and category are the terms that will be used during the analysis. “Item” defines the items in coding system such as the “Experience in strategic planning” in Table 6 in Appendix B. “Category” defines scales for each item, such as “None”, “0 to 2 Years”, “2 – 3” Years”, “4-5 Years” and “More than 5 years” again as shown in Table 6 in Appendix B.

In measuring the inter-coder reliability “Rs” for a group of “n” coders we employed the Equation 1 below where $\sum D_{max}$ stands for the sum of maximum possible number of difference⁴ between n coders and $\sum D_o$ total number of differences observed between coders. Depending on the item, the number of categories for each item varies from 2 to 5.

⁴The maximum number of differences in a case can be reached where the responses are maximally dispensed throughout k categories. Maximum distribution has been accepted in the case where exactly n/k responses given for each category (Meuller & Schuessler, 1961). However, in order to calculate maximum number of difference as a whole number, we should assume that n/k is also a whole number. Therefore we have treated every single coding response indivisible unit (Crittenden & Hill, 1971).

Equation 1 Inter-coder Reliability

$$R_s = \frac{\sum D_{\max} - \sum D_o}{\sum D_{\max}} = 1 - \frac{\sum D_o}{\sum D_{\max}}$$

Inter-coder reliability “Rs” for each item has been calculated as shown in Table 11 in Appendix C. Rs value for each coding item was calculated as shown in Equation 1.

Rs reaches the minimum value of 0 when there is the full unreliability of data. In that case total maximum possible number of differences in responses becomes equal to the total observed number of differences in responses. On the other hand the value of Rs reaches maximum reliability where the total number of observed differences in responses equals to zero.

The minimum level of inter-coder reliability for an item is primarily defined as 0.90. Table 11 shows that we have 4 out of 16 coding items that has inter-coder reliability lower than 0.90. Therefore we have 12 items to be qualified in terms of inter-coder reliability.

Coding validity of interview data is another critical concern because of qualitative nature of interview data. Coding data after the consensus which is the final form of coding responses, is reached after the general agreement on all items with observed differences among the coders. That final form of coding decision (Coding data after the consensus) compromises the external criterion (as shown in Table 9 and Table 10 in Appendix B) for assessing the coding validity.

It is argued that this external criterion does constitute a sufficient basis for judging the validity because there the inter-coder agreement exists. Nonetheless, any other alternative criterion used for judging the validity will be discretionary at some

extent (Crittenden & Hill, 1971). Once the external criterion codes have been clarified, the validity for each coding item was estimated by comparing the coder responses with the correct responses in criterion codes.

As explained in the previous section the validity model suggested in study of Crittenden & Hill, (1971) is employed. Validity model examines the relationship between the criterion and responses of a single coder on the coding item in a bivariate table that has one column and a row for each coding category for the item. All responses are coded in the table by classifying the decision by both the category selected by coder and the category selected by the criterion as shown in Figure 7 (Crittenden & Hill, 1971).

		Criterion Category							
		1	2		i		k		
Category Selected by Coder	1							$n_{1.}$	
	2							$n_{2.}$	
	.							.	
	.							.	
	.							.	
	.							.	
	.							.	
	i							$n_{i.}$	
	.							.	
	.							.	
	k							$n_{k.}$	
		$n_{.1}$	$n_{.2}$		$n_{.i}$		$n_{.k}$	$n_{..}$	

Figure 7 The Validity model

In the validity model, perfect validity is the case where there is a full agreement between the responses of coder and related criterion codes. As shown in the figure

above place of perfect validity occurs in the area denoted by “ n_{ii} ” where all the responses for the item drop on the category same as the category criterion for that item. That means, for every response given by coder in category i , $n_{i.} = n_{.i} = n_{ii}$.

Coding validity is commonly measured as the proportion of agreement (PA) between the coder responses and criterion which is estimated by dividing the sum of total responses matches with the criterion n_{ii} to the total number of decisions entered to the table $n_{..}$ as shown in Equation 2 below.

Equation 2 Proportion of Agreement

$$PA = \frac{\sum n_{ii}}{n_{..}}$$

The agreement between the criterion and the category selected by the coder for coding item might be expected on the basis of chance depending on the number of categories of the item. As the number of categories for coding item decreases, the chance of agreement between coder decision and criterion increases. Hence there might be another measure of validity for discarding the chance agreement between the criterion and coder decision. Therefore we also use another method of measuring the validity in order to correct the agreement by chance as shown in Equation 3.

Equation 3 Measure of Validity to Correct the Agreement by Change

$$V = \frac{\sum n_{ii} - \frac{1}{n_{..}} \sum (n_{i.})^2}{n_{..} - \frac{1}{n_{..}} \sum (n_{i.})^2}$$

“V” reaches the maximum value of 1 under the condition of perfect agreement between the criterion and coder responses. “V” reaches the value of 0 when the actual level of agreement is equal to level of agreement by chance. On the other and “V” reaches to negative values when the observed level of agreement between the criterion and response of the coder is less than the expected level of agreement on the basis of chance.

Inter-coder reliability (Rs), proportion of agreement (PA) and validity to level correct the agreement by chance (V) were measured for each of 16 items in coding system as briefly shown in Table 2 below.

Table 2 Coding Reliability, Validity, Proportion Agreement

Item No	Coding Item	Rs	V	PA
1	Experience in strategic planning	.947	.925	.958
2	Frequency of planning and review	.842	.800	.875
3	Time requirement for planning	1.000	1.000	1.000
4	Environmental dynamism	.875	.455	.917
5	Number of Parameters to be followed	1.000	1.000	1.000
6	Output of Planning process	.947	.478	.958
7	Level of Communication of the Plan	1.000	1.000	1.000
8	Flexibility to respond changes in environment	1.000	1.000	1.000
9	Response speed	1.000	1.000	1.000
10	Strategic decisions outside the strategic planning	.938	.916	.958
11	Intention to diverge from the strategy	.875	.813	.917
12	Being preparedness for the economic crisis	.917	.916	.958
13	Success of the scenarios developed during the crisis	1.000	1.000	1.000
14	Company's economic performance during crisis	1.000	1.000	1.000
15	Change in planning structure	.813	.793	.875
16	Change in frequency of planning and revisions	1.000	1.000	1.000

Inter-coder reliability for each item is shown in Table 2 in Rs column. In comparison with our predefined confidence level of 0.90 we have 4 items (Items 2, 4, 11 and 15) which have lower inter-coder reliability. PA gives us the proportion of agreement

between criterion rules and the coder responses. We almost matched our expectation on item validity except items 2 and 15 with their value of 0.875. Although these two items have a very close result to be treated as valid, they are below our confidence level. If we were to decide on the coding validity by only measuring PA, we would not take the effect of agreement on basis of chance into account. After the expected level of agreement on basis of chance had been purified we got the new levels of validity as shown in column V in Table 2. There are dramatic changes in validity levels of 2 items (Items 4 and 6). Their validity levels of validity fallen about a half. The effect of expected level of reliability on basis of chance can easily be seen.

All in all, testing the reliability and the validity of coding data was completed. There are 5 items out of 16 which failed to match our predefined level of confidence for both reliability and the validity when we made a triple evaluation based on Rs, V, and PA values (Items 2, 4, 6, 11 and 15). In the following section, the unit of analysis is decided where we chose the items those will be employed in order to stress our research questions.

Following the analysis of coding reliability and the validity for interview data, a second assessment was held for the items with lower levels of reliability and validity. In purpose of creating a better understanding of the lower level of validity and reliability of those items meetings with coders were held. We have realized that reasons behind lie under two main issues. One is the structure of questions itself. Although in the code book the rules are defined, in coding of some items coders had some confusions such as “change in planning structure”. A structural change and a modification or revision in planning process had been confused most of the time. The second issue is the attitudes of interviewees towards open ended questions. For instance; very few of the interviewees answered our question related to

“environmental dynamism”. Therefore coders had difficulties drop their responses in the same category with criterion rules. We suggest that, in order to lessen such confusions, some other questions should be asked to have clear cut answers for such cases during the interviews.

Our analysis on interview data is based on coding items that are tested as valid and reliable. Although 16 items were defined for coding system, we move on with the ones those could bring better explanations for our research questions. In the selection process, we might also select our variables among the items that have sufficient level of reliability and validity discussed in the previous sections.

We had three research questions as mentioned earlier. First, we analyze the qualitative data that is acquired from interviews. During the analysis, we try to explain our first two research questions which are based on the qualitative data. For the last research question we will move on with the financial analysis of the companies in our sample to have a comparison between their economic performances. Our research questions are listed below once again.

- How experienced are Turkish companies in strategic planning and scenario development?
- What is the combination of deliberate and emergent strategic views, in other words how flexible are their strategic plans?
- Do these firms differentiate in economic performance during the economic crisis of 2008?

For the first question we selected the units of analysis from Table 2. “Experience in strategic planning” and “Success of scenarios developed during the crisis” are used as parameters to understand the experience of Turkish companies in strategic planning and scenario development. These two items have inter-coder reliability (Rs),

proportion of agreement (PA) and validity to level correct the agreement by chance (V) values which are above our confidence level of 0.9 as shortly seen in Table 3.

Table 3 Units of Analysis for the First Research Question

Item No	Coding Item	Rs	V	PA
1	Experience in strategic planning	.947	.925	.958
13	Success of the scenarios developed during the crisis	1.000	1.000	1.000

Companies in our sample are evaluated in terms of their experiences in strategic planning and scenario development. Experience of a company in strategic planning is evaluated in 5 scale categories ranging from “None” to “More than 5 years”. Each category coded on the basis of rules determined in codebook.

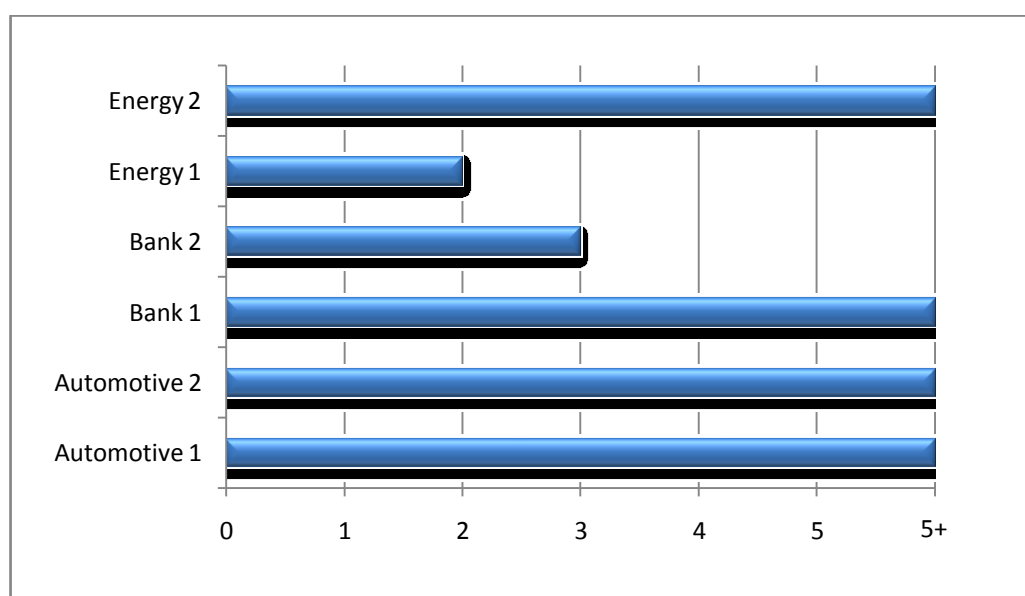


Figure 8 Experience in strategic planning (in years)

Figure 8 shows that 4 out of 6 companies in our sample have experienced in strategic planning for more than 5 years. If we compare the industries, companies in

automotive industry have more experience in strategic planning relatively to other sectors. The company newest to strategic planning is Energy1 followed by Bank2.

Success of the scenarios of the companies developed during the crisis compared in Figure 9. As there are only two categories in this item, companies are evaluated as successful or unsuccessful.

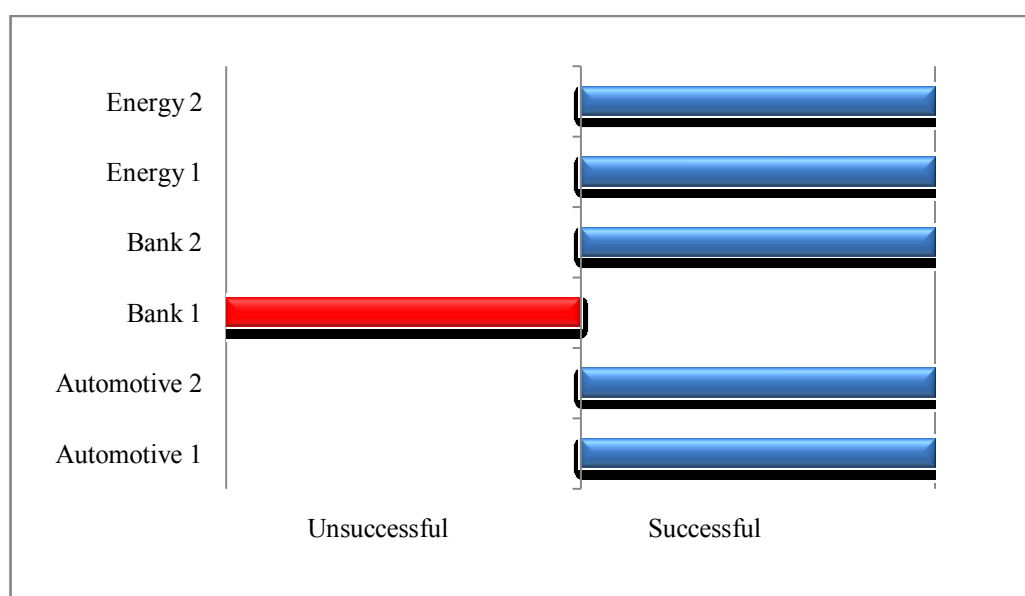


Figure 9 Success of scenarios developed during the crisis

Five companies out of six were successful during the crisis. Bank1 is the only one company with an unsuccessful scenario during the crisis. A manager from Bank1 explained that they have received early signals of economic crisis, and they decided to switch to their worse scenario which assumes a bad scenario as in economic crisis. Bank1 takes several preliminary actions in line with their worse scenario which estimates downsizing. As we discussed earlier, the banking sector continued to grow even in crisis.

We decided on the units of analysis as “Flexibility to respond changes in environment”, and “Strategic decisions outside the strategic planning” for second question of our study. Our second research question stresses the level of strategic flexibility of these companies which were defined comparatively to that of the others in sample. The inter-coder reliability (Rs), proportion of agreement (PA) and validity to level correct the agreement by chance (V) values of these two units are also above our confidence level of 0.9 as shortly seen in Table 4.

Table 4 Units of Analysis for the Second Research Question

Item No	Coding Item	Rs	V	PA
8	Flexibility to respond changes in environment	1.000	1.000	1.000
10	Strategic decisions outside the strategic planning	.938	.916	.958

Depending on the sound results of reliability and validity for these items, all companies were put to gather in terms of their flexibility to respond changes in environment and strategic decisions outside the strategic planning in Figure 10 and Figure 11.

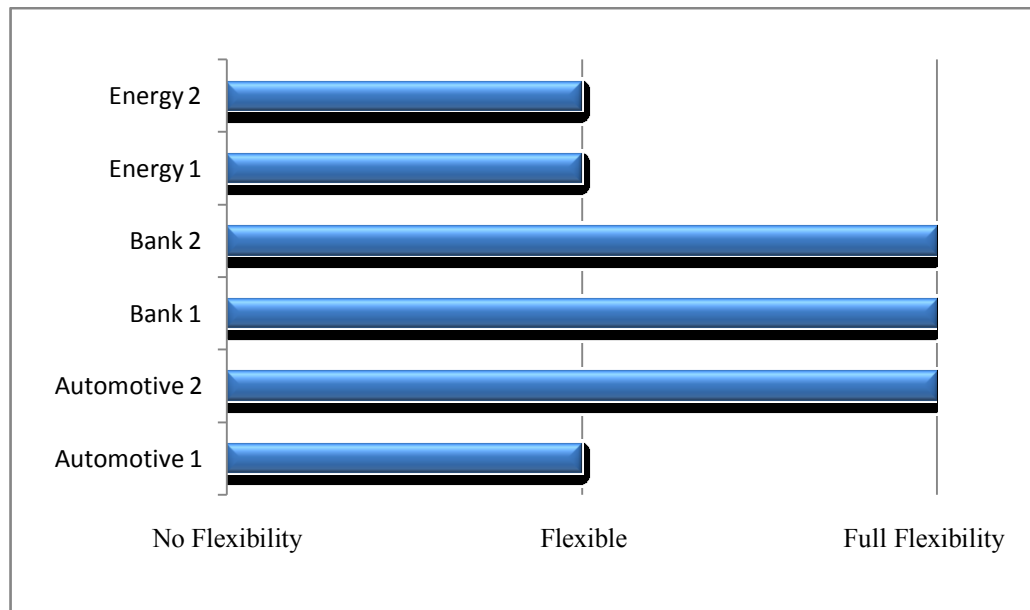


Figure 10 Flexibility to respond changes in environment

It shows that banking industry differs from the other industries in terms of flexibility to changes in the environment under the basis of 3 categories of “No flexibility”, “Flexible” and “Full flexibility”. Overall, all companies have the flexibility where Automotive1 performs as well as the banking industry.

The tendency of organizations to make decisions outside the strategic planning would provide us with information about the strategic planning structure of the company. If company has the emergent view of strategic planning, we would expect a result close to “Common” from the categories of “Not applicable”, “Rare” and “Common”, whereas we would expect the result “Rare” for the ones between deliberate and emergent.

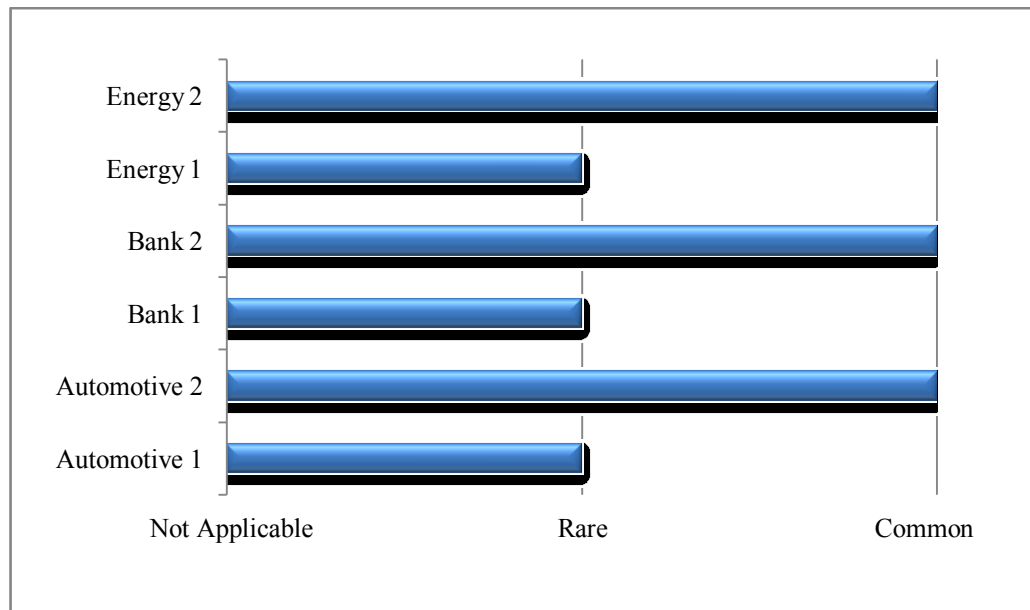


Figure 11 Strategic decisions outside the strategic planning

All companies have the tendency towards making strategic decisions outside the strategic planning. However Energy2, Bank2 and Automotive2 have greater tendency towards emergent view of strategic planning. The remaining three companies (Energy1, Bank1, Automotive1) are the ones somewhere between the emergent and deliberate view of planning.

The output of our interview procedure concludes the first two research questions as follows. First of all, although some of the companies were new to strategic planning (have experience for less than five years) four out of 6 companies have been experienced in strategic planning for more than 5 years. The scenario planning performances of those companies (including the less experienced ones) were successful except Bank1 during the period of economic crisis.

Secondly, the strategic flexibility of companies resulted with high level of strategic flexibility in banking industry. Interestingly, Automotive2 had also high level of flexibility. The difference form automotive1 and Automotive2 stems from

the differences in the business models of these two companies. Automotive1 is a distributor company and is a net importer. Selling the imported goods and its high exposure to exchange rates limits the strategic flexibility of the company. On the other hand, Automotive 2 is a local producer, and has a highly flexible production line. As the manager of Automotive 2 explained the life saving competence of the company during the economic crisis period was its highly flexible production line. In the early periods of the crisis (after the third quarter of 2008) demand for cars and light commercial vehicles (LCV) had fallen and the market deteriorated. Following the reaction program of Turkish government which decreased the Special Consumption Tax (SCT) as well as in Value Added Tax (VAT) on vehicle purchases, trend in the market has changed. Suddenly a deteriorating market turned into a growing market. Companies which has the perfect fit with the changing-structure survived. The flexible production line of Automotive2 provided the company with the best fit when market started to growth.

Analysis of Financial Performance

The analysis of interview data provided us with information about the strategic planning experiences and strategic flexibility of the companies in our sample. During the second step of the analysis, we will stress our third research question which will evaluate the financial performance of the companies during the period of 2009 and 2010.

Financial performance analysis is based on two parameters which are valid for all companies in our sample; growth in total profit and stock market price of company stocks during the period. As companies in our sample are selected from different

industries with different settings, we do not use financial ratios such as liquidity and profitability ratios in order to compare their economic performances. In other words, we cannot compare return on sales ratio of a real sector company to one of banks as it will be no sense for a bank. As we were not able to disclosure the company names, all data used in calculation was acquired from Public Disclosure Platform and referenced on a single source (Public Diclosure Platform, 2011).

The growth in the profits generated by companies is briefly shown in Table 5 below.

Table 5 Profit Growth of Companies (Million TL)

Net Profit	Automotive1	Automotive2	Energy1	Energy2	Bank1	Bank2
2008	-110,276	175,754	439,350	41,850	1,704,553	362,648
2009	30,529	360,351	815,771	326,526	2,722,661	650,114
2010	149,549	384,220	741,358	240,157	3,010,350	914,674

When we compare companies' economic performances during the crisis period, in terms of profit growth all the companies have performed successfully in terms of generating profits. From years 2008 to 2009, there was a significant increase in profits of all companies. However when we compared the profit growth performance of companies from 2009 to 2010 there were some differences in trend as shown in Figure 12 below. Figure 12 shows the profit growth of companies on the basis of their profits in 2008. We take profit of each company for the year 2008 as 100 and showed the growth of profit on basis of 100. From 2008 to 2009 the highest increase performed by Energy2, followed by Automotive1.

Monthly stock market price performance of company stocks from 2008 to 2010 is shown in Table 12 in Appendix C. Again we used the stock market price of each company stock for the first month of 2008 as basis of 100 and compared them to the performance of Istanbul Stock Exchange 100 Index (XU100) on the same basis

for the same period. The performance of each company's stock is shown in Figure 13.

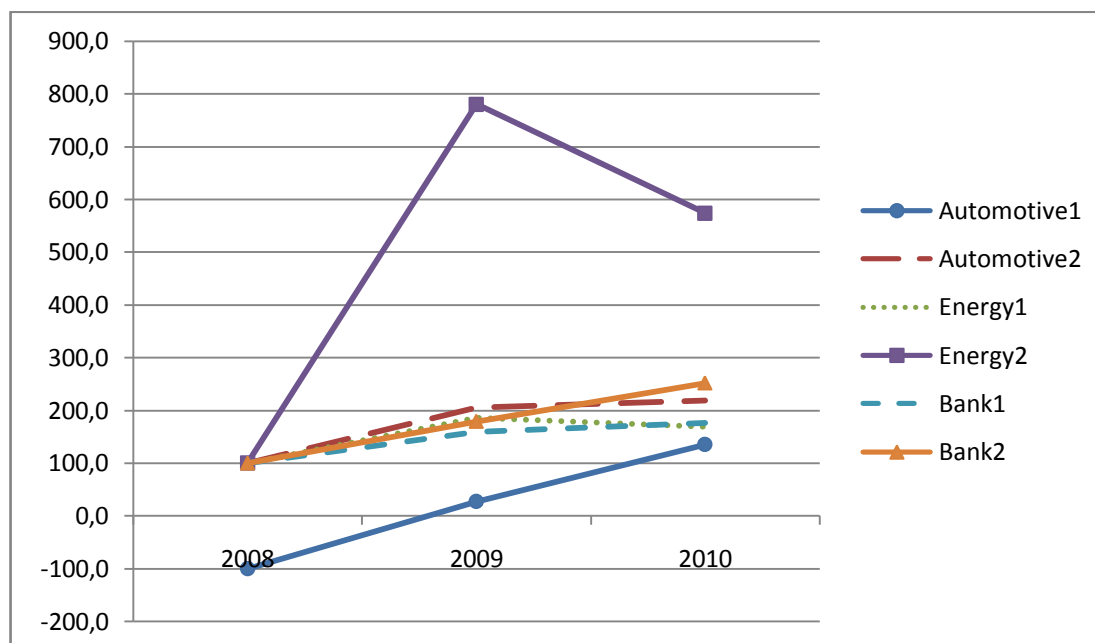


Figure 12 Profit growth of companies from 2008 to 2010

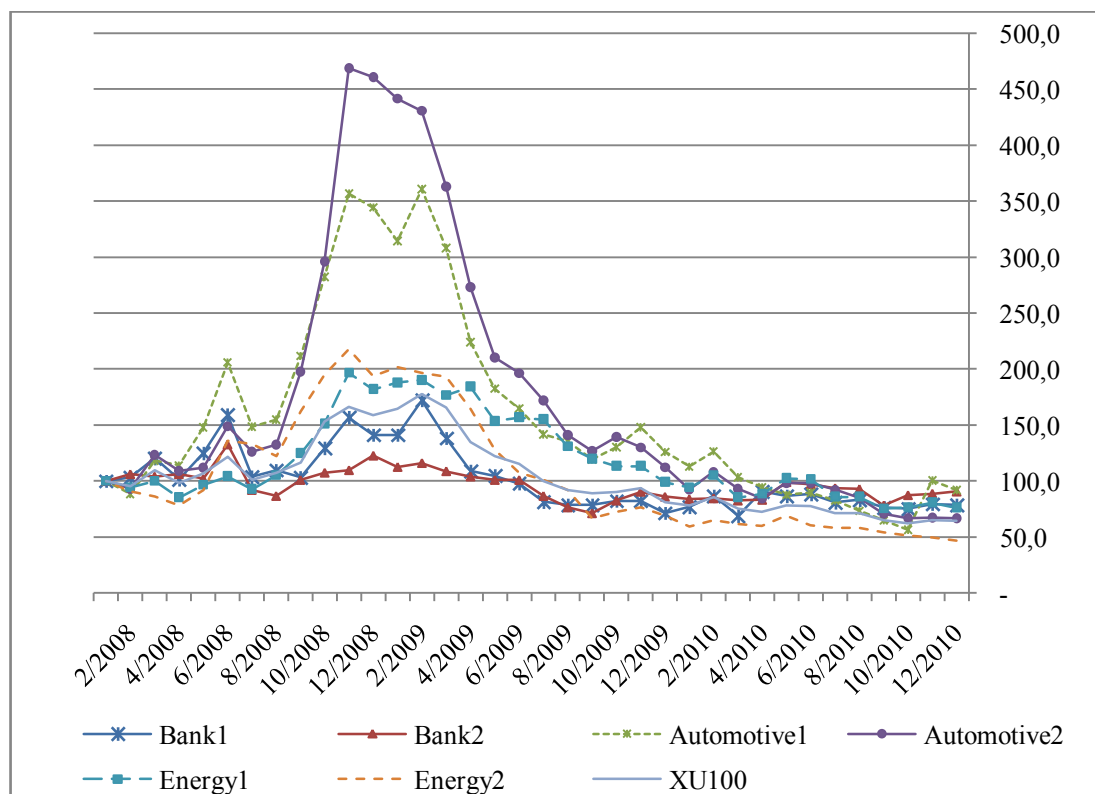


Figure 13 Stock market performance of companies (2008, Basis=100)

In the comparison of companies within the same industries, we see that Automotive1 increased its profitability more than that of Automotive2 during the period. When we compare Automotive1 and Automotive2 in terms of strategic flexibility as shown in Figure 10 and Figure 11 Automotive2 has greater strategic flexibility and intention to take strategic decisions outside the strategic planning with emergent view of strategic planning. When we compare the stock market prices of the companies relatively to performance of Istanbul Stock Exchange (XU100), both companies are the best performers in stock market in our sample. The reason for this jump is simple as we discussed before, the government's reaction program.

Automotive2 differs in its performance from Automotive1 in stock market. For automotive industry we conclude that the more the emergent strategic view of the organization, the better the economic performance during the crisis.

In energy industry, Energy 2 had a great jump from 2008 to 2009 in profit. However, we see that Energy 2 decreased its profit in 2010 as well as Energy 1 did. The stock market performances of two companies provide us different outcomes. Following the second quarter of 2009 Energy 1 performed better than Energy 2 in stock market. Energy 1 performs better with its strategic view between emergent and deliberate (a combination) in stock market, whereas Energy 2 generates higher profitability with more emergent strategic view.

Companies in the banking industry have more strategic flexibility relative to the other companies in our sample. In terms of making strategic decisions out of the strategic planning, Bank 2 has a greater tendency, therefore we can define Bank 2 as more emergent in strategic planning compared to its peer. Bank 1 and Bank 2 both continued to increase their profits during the period from 2008 to 2010, however performance of Bank 1 in increasing profits slower than that of Bank 2 in 2010.

When we compare the stock market performance of these companies we see similar performances except the last quarter of 2009 and the first quarter of 2010. In these quarters Bank1 performed better than Bank 2. However, following the second quarter of 2010 Bank 2 slightly performed better than Bank 1 in stock market.

All in all, our analysis showed all companies in our sample designing strategic plans and develops scenarios. All six companies performed well in increasing profits from 2008 to 2010. In the stock market, all companies except Energy 2 performed over the performance of XU100. Companies in banking industry have higher strategic flexibility relatively to the other industries. In general, we see that the more the strategic flexibility company has, the higher the increase in profit generation performed during the crisis. Interestingly, in Banking and Energy industries, companies with a balanced strategic view between emergent and deliberate performed better than their peers which have higher strategic flexibility with more emergent views. We can explain the case by the tendency of investors industries. The investors of Energy and Banking industries may prefer less deviation from strategic planning and a balanced strategic view between the emergent and deliberate.

CHAPTER V

CONCLUSION

Economic crises are hard to predict beforehand. Economic crisis or doomsday scenario might be studied prior to their realization. Although it can be regarded as a waste of time, the contribution of such scenarios to organizations in doomsday is worth the effort.

We have studied the economic crisis of 2008 as the doomsday scenario and examined a sample of companies from that scenario. Afterwards, we discussed economic crisis, we moved onto with the literature on strategic planning and scenario development and its benefits for the organization. Then, we focused on our study in order to see whether it is valid for companies in Turkey. We analyzed our data from interviews and compared it to the financial performances of those companies.

After completing our analysis on the effects of strategic planning on economic performance of the organization during the crisis, we can draw some policy implications.

Although all credit booms did not lead to a banking crisis, the recent crisis of 2008 was followed of a credit boom. The recent subprime mortgage crisis in US market is related to credit boom in mortgages and also the delinquencies in credit lending. The delinquency in US mortgage market has increased during the credit boom period with the increasing loan to income ratios, and the decreasing loan denial numbers. Therefore, a credit boom supported with increasing delinquency ratio may lead to more severe results. Only the rapid credit expansion cannot be the main

reason for the recent financial crisis. There are also some other factors combined with the rapid credit expansion, such as the rating agency problems, excessive risk taking encouragement and regulatory failures in the system.

Asymmetric information in the market is one of main drivers to which spread the crisis. Asymmetric information occurs when one of the parties have more accurate information than the other. This causes another set of critical problems; adverse selection, the lemon problem and moral hazards. The ones with bad credit risks will be the ones who are most eager to get credits. Then, credits are supplied to ones with a bad credit risk. After that, creditors in the market think that they will not able to discriminate bad and good credit risk owners and decrease their supply of credits. Asymmetric information also leads to moral hazard in which the investors of the riskiest projects have a higher motivation in investing in those high-risky projects as they gain the higher returns if they are successful and the borrower of those projects burden the most part of the risk if the project fails.

Financial crises also affect the real economy directly or indirectly. The effects of the financial crisis can be transmitted to the real economy throughout many channels such as monetary policies, credit flows, cost of capital, bank capitals, wealth effects, uncertainty and exchange rate volatility. Therefore a financial crisis cannot be thought separate from economic crisis.

Financial crises in emerging markets should be investigated from different perspectives than those of developed countries. There can be an economic crisis in an emerging country when the country has inability to pay its debt fully on time, or prefers to declare default, has running debt of its government and show increased tendency to risk taking under the insurance. These four cases can be stated the main

sources of a financial crisis in emerging countries. However, asymmetric information is also a significant source of financial crisis in emerging countries.

When we examined the financial crisis of Turkey main reasons for that crisis can be stated as fragile banking system and unhealthy monetary and fiscal policies. After the economic crisis of 2001, the Turkish economy showed a number of improvements in these areas. A new structure in banking system with a supervisory authority was established. Monetary policy coupled with a successful fiscal policy. As a result the government budget deficit, government debt stock and inflation rate decreased substantially, however Turkish economy still suffers from increasing trade deficit.

The environment in which an organization operates has a significant role in the success of the planning. Plans developed for highly dynamic environment may not be successful in stable business environment; therefore organizations should determine the best planning structure for their organizations. On the other hand, success of strategic planning is regarded in under two different views. One is the function of the degree of strategic fit between the environmental trends (threats and opportunities) and organization's core competencies (strengths and weaknesses), the second is the perspective that industry structure determines the firm structure which determines the economic performance. An organization should have flexible, organic styles in an uncertain environment and more structured styles in stable and predictable environments. The view of strategic planning is also divided under two rationales. One is called the emergent view of the strategy and the other one is the deliberate view of the strategy. The main difference between those is the difference between the timings of strategy formulation and application. In deliberate strategic planning, the strategic plan is designed and applied afterwards, whereas in emergent

view of strategic planning, strategies were realized first but never planned. There can either be no strategies, or planned strategies were not implemented.

The nature of strategic planning requires the acceptance of change. However, in many cases, managers are not comfortable with the change and they resist changing their organizations. This time, strategic planning remains on paper and is not applied, but strategic plans are useful for organizations as long as they are kept alive. In order to keep strategic plans alive it requires achieving the permeation of the planning efforts which can only be achieved through collective action. Therefore it should be shared by the whole organization from top managers to lower levels of the organization.

Scenario planning is an innovative tool of strategic planning. The traditional methods in strategic planning most of the time fail to produce strategies that cope with the uncertainty in the environment. As strategic planning done for future, it is inevitable to exclude uncertainties from planning. It provides better results than the contingency planning because it explores the joint effect of a number of uncertainties rather than a single uncertainty. It also differs from sensitivity analysis, as sensitivity analysis explores the change in only one variable while keeping the others constant. Scenario planning explores the effects of simultaneous change in many variables.

Scenario planning is an innovative tool for economic crisis. It provides the strategic flexibility and the agility for the organization. As Darwin, (1859) explains that the ones survived during the time are not the strongest or the most intelligent ones. Those are the “fittest ones”. Being fit is the ability to be adapted changes in the environment. Continuously changing environment requires continuous adaptation. There are many challenges in succeeding this continuous adaptation with strategic planning and scenario development.

Our finding showed that all the companies in our sample have been experienced in strategic planning and scenario development for at least two years. The strategic flexibility and view of strategic planning differ from one another. In some industries there are higher levels of strategic flexibility such as the banking industry.

The financial sector of Turkey is represented with two banks from Turkey. Both banks increased their profits from 2008 to 2010 in an increasing trend. Bank 1 and Bank 2 scored as highly flexible in responding the changes in the environment. However, Bank 1 has the strategic view between emergent and deliberate. It has a combination of both of them. Bank 2 has a more emergent view of strategy. They differed in both profit generation and stock market performance. The emergent strategy provided Bank 2 with the ability to increase profits more, whereas a more balanced strategy between emergent and deliberate provided Bank 1 with a slightly better performance in stock market.

In real sector, we find that the automotive sector jumped in profit generation during the post crisis period. The main reason is the government's reaction program. Again in the automotive industry we see that the company with higher strategic flexibility generated more profits than its competitor. They both have similar performances in stock market which are above the performance of Istanbul Stock Exchange 100 Index (XU100).

The energy sector also performed well in increasing the profit level of 2008. When we compared two companies in the sector, we see that Energy 2 has generated more profit increase relatively to Energy 1 and we again see that the more successful company in profit generation is the one with more emerging view of strategic planning. We meet the similar case of banking sector in stock market. Energy 1

performed better than Energy 2 in stock market with a more balanced strategic view between emergent and deliberate.

Additionally, managers those we have interview also suggest that strategic planning should not be kept as a bulk of papers. It should be alive and developed on a continuous basis. Another important point highlighted by them is that only one scenario for crisis or doomsday may not be sufficient. In order to study a number of different futures today; more than one worst case scenarios should be prepared as well as the good and moderate case scenarios.

We conclude our study with the result that the companies better survived economic crisis are the ones who can adapt themselves to the changes in the environment. Therefore, strategic planning and scenario development planning is a very supportive tool for the organizational economic performance during the crisis. Based on results of our study, we conclude that strategic planning and scenario development can be used as an innovate tool in economic crisis. The higher the strategic flexibility towards emergent views of strategy, the higher the increase in profits company has during the crisis period. On the other hand, as the company balances its strategic at some point between the emergent and the deliberate, it may lead to a better performance for some industries (such as energy and banking) in the stock market.

APPENDIXES

Appendix A: Interview Questions

PART A: Questions about your business and strategic planning process

- 1) Please begin by describing your business.
- 2) Please describe your past and present strategic planning process.
- 3) How often is your strategic planning process executed? How long does the standard planning process take?
- 4) How dynamic or stable do you perceive your industry to be and what type of activities are done to monitor your competitive environment?
- 5) Who makes strategic decisions?
- 6) What is the output of the planning process (asses the specificity of the ends and the means of the intended strategy).
- 7) How are strategic decisions communicated to the company?

Part B: Questions about the flexibility of your strategic planning and scenario development process

- 1) To what extend are strategic decisions make outside the standard strategic planning process resulting in an actual strategy that is different from the intended strategy?
- 2) In general, how flexible do you think your business strategic planning process could be in response to change in the external or internal environment?
- 3) Would you be more likely to diverge from your intended strategy in response to an extent if you perceived the event as an opportunity or as a threat?
- 4) On average, how long does it take to respond to one of these events or triggers?
- 5) How important is to reconcile the intended strategic plan with any changes that are made during implementation?

Part C: Questions about economic crisis and your scenario planning activities.

- 1) Regarding to economic crisis of 2008, was it one of scenarios in your latest strategic planning process beforehand the crisis? How did you describe it?
- 2) How did economic crisis affect your strategic planning process?
- 3) How successful were the scenarios that you developed during the crisis when compared to reality?
- 4) How do you evaluate your company's economic performance during the crisis when compared to that of your competitors?
- 5) Do you think that scenario planning can be an innovative tool in order to survive from economic crisis?

Appendix B: Coding System

Codebook

Table 6 Codebook for Interview Data

Codebook					
Experience in strategic planning	None (If there is no strategic planning process applied.)	0-2 Years (Have been done for less than 2 years.)	2-3 Years (Have been done for 2 to 3 years.)	4-5 Years (Have been done for 3 to 5 years.)	More than 5 (Have been done for more than 5 years.)
Frequency of planning and review	Once in 3 Years (Number of plans prepared + number of reviews in 3 years = 1)	Once in 2 years (Number of plans prepared + number of reviews in 2 years = 1)	Once in a year (Number of plans prepared + number of reviews in a year = 1)	Twice in a year (Number of plans prepared + number of reviews in a year = 2)	More than twice in a year (Number of plans prepared + number of reviews in a year > 2)
Time requirement for planning	12 Months	9 Months	6 months	3 Months	Less than 3 Months
	(Number of months required to complete a single strategic plan.)				
Environmental dynamism	Stable (Respondent says; "...stable" or "...not dynamic")		Nor Stable neither dynamic (Respondent says; "...not stable" or "...not much dynamic")		Dynamic (Respondent says; "yes, ...dynamic")
Number of Parameters to be followed	No parameters	1	2	3	More than 3
	(Number of parameters listed as being followed)				
Output of Planning process	No output (There is no output after planning process.)	Draft (There is only a draft after planning.)	A plan but not necessarily applied (A plan prepared but not applied most of the time.)	A plan with partial application (A plan prepared but not applied completely.)	Fully applied strategic plan (A plan prepared and applied completely.)
Level of Communication of the Plan	No communication (No communication for the plan.)	Top levels only (Only communicated to the top management.)	Top and mid levels only (Only communicated to the top and mid level management.)	Every level, only related parts (Communicated to all levels in hierarchy with restrictions. E.g. Sub levels receive only the parts related to their tasks.)	Every level, with overall picture (Whole plan communicated to all levels of the hierarchy. It may not be so detailed, but includes overall view.)
Flexibility to respond changes in environment	No flexibility (No response to the changes in the environment is available)		Flexible (Response to the changes in the environment is available at some extent. Respondent declares a managerial condition.)		Full Flexibility (Response to the changes in the environment is available. Respondent declares no managerial conditions.)
Response speed	Low (Organization can respond in more than 6 months)		Medium (Response requires 2 to 6 months on average)		High (Organization can respond in less than 2 months)

Strategic decisions outside the strategic planning	Not applicable (No strategic decisions can be made outside the Strategic Planning or there is no strategic planning activity.)		Rare (Strategic decision might be made outside the strategic planning, but it is not common.)		Common (Strategic decision are made outside the strategic planning, and this is very common.)
Intention to diverge from the strategy	No intention (There is no managerial intention to diverge from strategy, or there is no strategic planning activity.)		Low Intention (There can be some examples of diverging from the strategy, but respondent explains that is not the first choice for the organization.)		High Intention (There is high level of intention to diverge from the strategy if there is a threat or an opportunity in the environment.)
Being preparedness for the economic crisis	Not prepared (Economic crisis of 2008 was not a scenario in the strategic planning of the organization before the crisis.)				Prepared (Economic crisis of 2008 was a scenario in the strategic planning of the organization or there was a bad scenario instead.)
Success of the scenarios developed during the crisis	Unsuccessful (Scenarios developed during the crisis was not successful when compared to the realization.)				Successful (Scenarios developed during the crisis was successful when compared to the realization.)
Company's economic performance during crisis	Unsuccessful (Economic performance of organization was not as good as that of its competitors.)				Successful (Economic performance of organization was at least as that of its competitors.)
Change in planning structure	Not Changed (There is no change in planning process after the crisis.)		Modified (There is no structural change in planning process, but some parts of it may be modified.)		Changed (There is a new understanding of strategic planning process after the crisis.)
Change in frequency of planning and revisions	Decreased (Frequency of planning and reviews is decreased.)		Not Changed (No change in frequency.)		Increased (Frequency of planning and reviews is increased.)

Codes before the Consensus

Table 7 Codes before the Consensus Part 1 of 2

Company	Coder	Experience in strategic planning	Frequency of planning and review	Time requirement for planning	Environmental dynamism	Number of Parameters to be followed	Output of Planning process	Level of Communication of the Plan	Flexibility to respond changes in environment
Automotive 1	Coder 1	More than 5	Twice in a year	3 Months	Dynamic	More than 3	Fully applied strategic plan	Every level, with overall picture	Flexible
Automotive 1	Coder 2	More than 5	Twice in a year	3 Months	Dynamic	More than 3	Fully applied strategic plan	Every level, with overall picture	Flexible
Automotive 1	Coder 3	More than 5	Twice in a year	3 Months	Dynamic	More than 3	Fully applied strategic plan	Every level, with overall picture	Flexible
Automotive 1	Coder 4	More than 5	Twice in a year	3 Months	Nor stable neither dynamic	More than 3	Fully applied strategic plan	Every level, with overall picture	Flexible
Automotive 2	Coder 1	More than 5	Twice in a year	3 Months	Dynamic	More than 3	Fully applied strategic plan	Every level, with overall picture	Full Flexibility
Automotive 2	Coder 2	More than 5	Twice in a year	3 Months	Dynamic	More than 3	Fully applied strategic plan	Every level, with overall picture	Full Flexibility
Automotive 2	Coder 3	More than 5	More than twice in a year	3 Months	Dynamic	More than 3	Fully applied strategic plan	Every level, with overall picture	Full Flexibility
Automotive 2	Coder 4	More than 5	More than twice in a year	3 Months	Dynamic	More than 3	Fully applied strategic plan	Every level, with overall picture	Full Flexibility
Bank 1	Coder 1	More than 5	Twice in a year	3 Months	Dynamic	2	Fully applied strategic plan	Every level, with overall picture	Full Flexibility
Bank 1	Coder 2	More than 5	Twice in a year	3 Months	Dynamic	2	Fully applied strategic plan	Every level, with overall picture	Full Flexibility
Bank 1	Coder 3	4-5 Years	Twice in a year	3 Months	Dynamic	2	Fully applied strategic plan	Every level, with overall picture	Full Flexibility
Bank 1	Coder 4	More than 5	Once in a year	3 Months	Dynamic	2	Fully applied strategic plan	Every level, with overall picture	Full Flexibility
Bank 2	Coder 1	2-3 Years	Twice in a year	Less than 3 Months	Dynamic	More than 3	Fully applied strategic plan	Every level, only related parts	Full Flexibility
Bank 2	Coder 2	2-3 Years	Twice in a year	Less than 3 Months	Dynamic	More than 3	Fully applied strategic plan	Every level, only related parts	Full Flexibility
Bank 2	Coder 3	2-3 Years	Twice in a year	Less than 3 Months	Dynamic	More than 3	Fully applied strategic plan	Every level, only related parts	Full Flexibility
Bank 2	Coder 4	2-3 Years	Twice in a year	Less than 3 Months	Dynamic	More than 3	Fully applied strategic plan	Every level, only related parts	Full Flexibility
Energy 1	Coder 1	0-2 Years	More than twice in a year	3 Months	Nor Stable neither dynamic	More than 3	Fully applied strategic plan	Every level, with overall picture	Flexible
Energy 1	Coder 2	0-2 Years	More than twice in a year	3 Months	Dynamic	More than 3	Fully applied strategic plan	Every level, with overall picture	Flexible
Energy 1	Coder 3	0-2 Years	More than twice in a year	3 Months	Dynamic	More than 3	Fully applied strategic plan	Every level, with overall picture	Flexible
Energy 1	Coder 4	0-2 Years	More than twice in a year	3 Months	Dynamic	More than 3	Fully applied strategic plan	Every level, with overall picture	Flexible

Energy 2	Coder 1	More than 5	Once in a year	Less than 3 Months	Dynamic	2	Fully applied strategic plan	Every level, only related parts	Flexible
Energy 2	Coder 2	More than 5	Once in a year	Less than 3 Months	Dynamic	2	A plan with partial application	Every level, only related parts	Flexible
Energy 2	Coder 3	More than 5	Once in a year	Less than 3 Months	Dynamic	2	Fully applied strategic plan	Every level, only related parts	Flexible
Energy 2	Coder 4	More than 5	Once in a year	Less than 3 Months	Dynamic	2	Fully applied strategic plan	Every level, only related parts	Flexible

Note: Shaded areas are the responses different from the coding criterion.

Table 8 Codes before the Consensus Part 2 of 2

Company	Coder	Response speed	Strategic decisions outside the strategic planning	Intention to diverge from the strategy	Being preparedness for the economic crisis	Success of the scenarios developed during the crisis	Company's economic performance during crisis	Change in planning structure	Change in frequency of planning and revisions
Automotive 1	Coder 1	High	Rare	Low Intention	Prepared	Successful	Successful	Modified	Increased
Automotive 1	Coder 2	High	Rare	Low Intention	Prepared	Successful	Successful	Modified	Increased
Automotive 1	Coder 3	High	Rare	Low Intention	Prepared	Successful	Successful	Modified	Increased
Automotive 1	Coder 4	High	Rare	Low Intention	Prepared	Successful	Successful	Modified	Increased
Automotive 2	Coder 1	High	Common	High Intention	Not prepared	Successful	Successful	Modified	Increased
Automotive 2	Coder 2	High	Common	High Intention	Not prepared	Successful	Successful	Modified	Increased
Automotive 2	Coder 3	High	Common	Low Intention	Not prepared	Successful	Successful	Modified	Increased
Automotive 2	Coder 4	High	Common	High Intention	Not prepared	Successful	Successful	Modified	Increased
Bank 1	Coder 1	High	Rare	Low Intention	Prepared	Unsuccessful	Unsuccessful	Not Changed	Not Changed
Bank 1	Coder 2	High	Rare	High Intention	Prepared	Unsuccessful	Unsuccessful	Not Changed	Not Changed
Bank 1	Coder 3	High	Rare	Low Intention	Prepared	Unsuccessful	Unsuccessful	Not Changed	Not Changed
Bank 1	Coder 4	High	Rare	Low Intention	Prepared	Unsuccessful	Unsuccessful	Not Changed	Not Changed
Bank 2	Coder 1	High	Common	High Intention	Not prepared	Successful	Successful	Modified	Increased

Bank 2	Coder 2	High	Common	High Intention	Not prepared	Successful	Successful	Modified	Increased
Bank 2	Coder 3	High	Common	High Intention	Not prepared	Successful	Successful	Modified	Increased
Bank 2	Coder 4	High	Common	High Intention	Not prepared	Successful	Successful	Changed	Increased
Energy 1	Coder 1	High	Rare	High Intention	Not prepared	Successful	Successful	Modified	Increased
Energy 1	Coder 2	High	Common	High Intention	Not prepared	Successful	Successful	Changed	Increased
Energy 1	Coder 3	High	Rare	High Intention	Not prepared	Successful	Successful	Modified	Increased
Energy 1	Coder 4	High	Rare	High Intention	Not prepared	Successful	Successful	Modified	Increased
Energy 2	Coder 1	Medium	Common	High Intention	Prepared	Successful	Successful	Not Changed	Not Changed
Energy 2	Coder 2	Medium	Common	High Intention	Not prepared	Successful	Successful	Not Changed	Not Changed
Energy 2	Coder 3	Medium	Common	High Intention	Prepared	Successful	Successful	Modified	Not Changed
Energy 2	Coder 4	Medium	Common	High Intention	Prepared	Successful	Successful	Not Changed	Not Changed

Note: Shaded areas are the responses different from the coding criterion.

Codes after the Consensus

Table 9 Codes after the Consensus Part 1 of 2

Company	Experience in strategic planning	Frequency of planning and review	Time requirement for planning	Environmental dynamism	Number of Parameters to be followed	Output of Planning process	Level of Communication of the Plan	Flexibility to respond changes in environment
Automotive 1	More than 5	Twice in a year	3 Months	Dynamic	More than 3	Fully applied strategic plan	Every level, with overall picture	Flexible
Automotive 2	More than 5	Twice in a year	3 Months	Dynamic	More than 3	Fully applied strategic plan	Every level, with overall picture	Full Flexibility
Bank 1	More than 5	Twice in a year	3 Months	Dynamic	2	Fully applied strategic plan	Every level, with overall picture	Full Flexibility
Bank 2	2-3 Years	Twice in a year	Less than 3 Months	Dynamic	More than 3	Fully applied strategic plan	Every level, only related parts	Full Flexibility
Energy 1	0-2 Years	More than twice in a year	3 Months	Dynamic	More than 3	Fully applied strategic plan	Every level, with overall picture	Flexible
Energy 2	More than 5	Once in a year	Less than 3 Months	Dynamic	2	Fully applied strategic plan	Every level, only related parts	Flexible

Table 10 Codes after the Consensus Part 2 of 2

Company	Response speed	Strategic decisions outside the strategic planning	Intention to diverge from the strategy	Being preparedness for the economic crisis	Success of the scenarios developed during the crisis	Company's economic performance during crisis	Change in planning structure	Change in frequency of planning and revisions
Automotive 1	High	Rare	Low Intention	Prepared	Successful	Successful	Modified	Increased
Automotive 2	High	Common	High Intention	Not prepared	Successful	Successful	Modified	Increased
Bank 1	High	Rare	Low Intention	Prepared	Unsuccessful	Unsuccessful	Not Changed	Not Changed
Bank 2	High	Common	High Intention	Not prepared	Successful	Successful	Modified	Increased
Energy 1	High	Rare	High Intention	Not prepared	Successful	Successful	Modified	Increased
Energy 2	Medium	Common	High Intention	Prepared	Successful	Successful	Not Changed	Not Changed

Appendix C: The Results of Analyses

Table 11 Inter-coder Reliability, Validity & Proportion Agreement by Coders and Items

Coding Category	Item No	n.1	n.2	n.3	n.4	ΣDo	n . .	n _{ii}	# of k	ΣD_{max}	R _s	V	PA
Experience in strategic planning	1	4	4	1	15	1	24	23	5	19	0.947	0.925	0.958
Frequency of planning and review	2	6	6	12	0	3	24	21	5	19	0.842	0.800	0.875
Time requirement for planning	3	16	8	0	0	0	24	24	5	19	1.000	1.000	1.000
Environmental dynamism	4	22	2	0	0	2	24	22	3	16	0.875	0.455	0.917
Number of Parameters to be followed	5	8	16	0	0	0	24	24	5	19	1.000	1.000	1.000
Output of Planning process	6	1	23	0	0	1	24	23	5	19	0.947	0.478	0.958
Level of Communication of the Plan	7	8	16	0	0	0	24	24	5	19	1.000	1.000	1.000
Flexibility to respond changes in environment	8	12	12	0	0	0	24	24	3	16	1.000	1.000	1.000
Response speed	9	20	4	0	0	0	24	24	3	16	1.000	1.000	1.000
Strategic decisions outside the strategic planning	10	13	11	0	0	1	24	23	3	16	0.938	0.916	0.958
Intention to diverge from the strategy	11	16	8	0	0	2	24	22	3	16	0.875	0.813	0.917
Being preparedness for the economic crisis	12	13	11	0	0	1	24	23	2	12	0.917	0.916	0.958
Success of the scenarios developed during the crisis	13	20	4	0	0	0	24	24	2	12	1.000	1.000	1.000
Company's economic performance during crisis	14	20	4	0	0	0	24	24	2	12	1.000	1.000	1.000
Change in planning structure	15	2	15	0	0	3	24	21	3	16	0.813	0.793	0.875
Change in frequency of planning and revisions	16	16	8	0	0	0	24	24	3	16	1.000	1.000	1.000

Table 12 Monthly Stock Price Chance (2008, Basis=100)

Year	Month	Bank1	Bank2	Automotive1	Automotive2	Energy1	Energy2	XU100
2010	12	78.7	90.6	92.1	66.6	76.4	47.0	64.7
2010	11	79.4	88.7	100.7	67.3	80.8	49.9	65.3
2010	10	75.0	87.4	56.5	66.7	76.6	51.3	62.3
2010	9	76.3	78.2	64.9	70.7	75.6	54.2	64.9
2010	8	83.3	92.9	73.5	84.8	86.1	58.6	71.2
2010	7	80.8	93.7	83.0	92.2	86.1	58.6	71.3
2010	6	88.2	97.2	89.7	98.1	101.7	60.9	77.9
2010	5	86.5	99.0	87.8	98.1	102.6	69.0	78.5
2010	4	90.6	83.2	94.6	84.1	88.7	60.0	72.4
2010	3	68.9	82.5	103.4	93.0	85.5	61.9	75.5
2010	2	86.5	84.6	126.6	108.2	105.4	65.0	85.9
2010	1	76.7	83.9	113.0	92.2	94.4	59.5	78.1
2009	12	71.4	86.0	126.0	112.3	99.2	69.0	80.8
2009	11	82.3	90.4	148.1	129.9	113.5	76.5	93.8
2009	10	82.3	82.5	130.3	139.5	113.5	72.9	90.5
2009	9	78.5	71.2	119.6	126.8	119.9	67.2	89.1
2009	8	78.5	76.5	135.6	141.0	131.1	92.0	91.7
2009	7	81.3	86.7	141.9	172.1	155.3	101.6	100.1
2009	6	97.8	101.0	164.9	196.3	156.9	107.7	115.6
2009	5	104.7	101.0	182.6	210.3	153.6	128.3	122.0
2009	4	108.9	104.0	224.3	273.2	184.4	164.6	134.9
2009	3	138.3	108.8	308.1	363.0	176.6	193.1	165.7
2009	2	172.2	116.1	360.9	430.9	190.3	197.0	177.7
2009	1	141.2	112.6	314.4	441.7	187.9	202.1	164.6
2008	12	141.2	122.6	344.6	460.9	182.1	194.0	158.9
2008	11	157.0	109.7	356.7	469.0	196.7	217.9	166.0
2008	10	129.3	107.4	282.4	296.1	151.3	195.0	153.4
2008	9	103.1	101.0	211.8	197.8	125.0	162.5	116.8
2008	8	109.8	86.7	154.8	132.5	105.4	122.6	107.2
2008	7	103.8	92.0	148.8	126.2	92.9	133.6	101.2
2008	6	159.2	132.7	206.1	148.9	104.4	136.4	121.7
2008	5	125.0	102.0	148.1	111.8	96.7	92.0	106.8
2008	4	101.5	106.1	114.0	109.1	85.5	78.6	98.2
2008	3	120.5	104.0	118.4	123.3	100.0	86.7	109.4
2008	2	103.1	106.1	88.4	93.0	94.4	91.1	95.4
2008	1	100.0	100.0	100.0	100.0	100.0	100.0	100.0

BIBLIOGRAPHY

- Ahrend, R., Cournède, B., & Price, R. (2008). Monetary Policy, Market Excesses and Financial Turmoil. *OECD Economics Department Working Paper* , 597.
- Akerlof, G. (1970). The Market for Lemons: Quality Uncertainty and the Market. *Quarterly Journal of Economics*, Vol. 84 , 488-500.
- Akyurek, C., & Kutan, A. M. (2008). Inflation Targeting, Policy Rates and Exchange Rate Volatility: Evidence from Turkey. *Comparative Economic Studies*, Vol. 50, Iss. 3 , 460-494.
- Akyüz, Y., & Boratav, K. (2001). The Making of the Turkish Financial Crisis. *Financialization of the Global Economy*. Amherst, Mass.: PERI, University of Massachusetts.
- Alper, C. E. (2001). The Turkish Liquidity Crisis of 2000, What Went Wrong? *Russian and East European Finance and Trade*, vol. 37, no. 6 , 58-80.
- Ansoff, H. I. (1991). Critique of Henry Mintzberg's The Design School; Reconsidering the Basic Premises of Strategic Management. *Strategic Management Journal*, 12 , 449-461.
- Ansoff, H. I. (1979). *Strategic Management*. London: Macmillan.
- Bacchetta, P., & Gerlach, S. (1997). Consumption and Credit Constraints: International Evidence. *Journal of Monetary Economics* .
- Banking Regulation and Supervision Agency. (2010, December). *Banking Regulation and Supervision Agency of Turkey Information Buklet*. Retrieved February 12, 2011, from http://www.tbb.org.tr/eng/Banka_ve_Sektor_Bilgileri/Tum_Raporlar.aspx
- Banking Regulation and Supervision Agency. (2009). *Financial Markets Report - Issue 16*. Banking Regulation and Supervision Agency.
- Banking Regulation and Supervision Agency. (2003, October 23). *Türk Bankacılık Sektörünün Güçlendirilmesine Yönelik Çabalar ve İmar Bankası Olayı, Presentation at the Press Conference*. Retrieved September 18, 2010, from http://www.tmsf.org.tr/documents/reports/tr/basintoplantisi_sunus_23102003.pdf
- Banking Regulation and Supervision Agency. (2003, October 23). *Türk Bankacılık Sektörünün Güçlendirilmesine Yönelik Çabalar ve İmar Bankası Olayı, Presentation at the Press Conference*. Retrieved September 18, 2010, from http://www.tmsf.org.tr/documents/reports/tr/basintoplantisi_sunus_23102003.pdf
- Bantel, K. (1993). Top team, environment, and performance effects on strategic planning formality. *Group and Organizational Management*, Vol. 18 No. 4 , 436-58.

- Barajas, Adolfo, Dell'Ariccia, G., & Levchenko, A. (2007). *Credit Booms: The Good, the Bad and the Ugly*. Washington, DC: International Monetary Fund.
- Barnard, C. I. (1948). The Functions of the Executives. *Harvard University Press, Cambridge, MA*.
- Bayoumi, T., & Melander, O. (2008). Credit Matters: Empirical Evidence on U.S. Macro-Financial Linkages. *IMF Working Paper*, 169.
- Bernanke, B., & Gertler, M. (1987). Financial Fragility and Economic Performance. *NBER Working Papers*, 2318.
- Bernanke, B., & Gertler, M. (1995). Inside the Black Box: The Credit Channel of Monetary Policy. *Journal of Economic Perspectives*, 9, 27–48.
- Bernanke, B., Gertler, M., & Gilchrist, S. (1999). The Financial Accelerator in a Quantitative Business. *Handbook of Macroeconomics, Vol. 1C (Amsterdam, North-Holland)*, 1341–93.
- Bernanke, B., Lown, C., & Friedman, B. (1991). The Credit Crunch. *Brookings Papers on Economic Activity*, 2, 205–47.
- Brews, P., & Hunt, M. (1999). Learning to plan and planning to learn: resolving the planning school/learning school debate. *Strategic Management Journal*, Vol. 20, 889-913.
- Burgeois, L. G. (1985). Strategic Goals, Perceived Uncertainty, and Economic Performance in Volatile Environments. *Academy of Management Journal*, 548.
- Calomiris, C. (2008). The Subprime Turmoil: What's Old, What's New, and What's Next. *Manuscript*.
- Calomiris, C., Klingebiel, D., & Laeven, L. (2003). Financial Crisis Policies and Resolution Mechanisms: A Taxonomy from Cross-Country Experience. in P. Honohan and L. Laeven (eds.) *Systemic Financial Distress: Containment and Resolution, Chapter 2*, Cambridge University Press.
- CBRT. (2011). *Balance of Payments Statistics and International Investment Position*. Retrieved May 2, 2011, from <http://www.tcmb.gov.tr/odemedenge/odmainfile1.php>
- CBRT. (2011). *Inflation Rate*. Retrieved March 3, 2011, from Central Bank of the Republic of Turkey: <http://www.tcmb.gov.tr/yeni/eng/>
- CBRT. (2010, December 16). *Press Release on Interest Rates – 16/12/2010, (2010-40)*. Retrieved January 2, 2011, from Central Bank of the Republic of Turkey: <http://www.tcmb.gov.tr/yeni/eng/>
- Chandler, A. D. (1962). In *Strategy and Structure: Chapters in the History of the American Industrial Enterprise* (p. 382). United States of America: Massachusetts Institute of Technology.

- Crittenden, K. S., & Hill, R. J. (1971). Coding Reliability and Validity of Interview Data. *American Sociological Review*, Vol 36 , 1073-1080.
- Darwin, M. (1859). *On the Origin of Species by Means of Natural Selection, or the Preservation of Favoured Races in the Struggle for Life*. London: John Murray, Albemarle Street,.
- Dell'Ariccia, Giovanni, Ilgan, D., & Laeven, L. (2008). Credit Booms and Lending Standards; Evidence form the Subprime Mortgage Market. *CEPR Discussion Paper No. 6683* .
- Deloitte. (2010). *Turkish Automotive Industry Report*. Republic of Turkey Prime Ministry Investment Support and Promotion Agency of Turkey.
- Dibrell, C., Down, J., & Bull, L. (2007). Dynamic Strategic Planning: Achieving Strategic Flexibility Through Formalization. *Journal of Business and Management* , 21.
- Drucker, P. (Pan Books Ltd). *The Practice of Management*. London: 1968.
- Evans, D. G. (1978). Man Rated Strategy Formulation. *Managerial Planning*, 26(4) , 9-16.
- Evans, S. J. (1991). Strategic Flexibility for High Technology Maneuvers: A Conceptual Framework. *Journal of Management Studies*, 28 , 69-89.
- Faulkner, J. C. (1979). Startegic Plans:Made to Be Broken. *Journal of Applied Management* , 3-29.
- Felton, A., & Reinhart, C. (2008). The First Global Financial Crises of the 21st Century. *Centre for Economic Policy Research (CEPR)* (pp. 5-55). A VoxEU.org.
- Ford, C. H. (1978). Time to Re-design the Decision Making Process. *Management Review* , 50-53.
- Friedman, M., & Schwartz, A. (1963). A Monetary History of United States, 1867-1960,. *Princeton University Press* .
- Furceri, D., & Mourougane, A. (2009). Financial Crisis. *OECD Economics Department Working Paper No. 668* , 1-50.
- General Directorate of Budget and Fiscal Control, Republic of Turkey Ministry of Finance. (2011). *2011*. Retrieved May 7, 2011, from <http://www.bumko.gov.tr/TR/Genel/BelgeGoster.aspx?F6E10F8892433CFFA79D6F5E6C1B43FF6CB60B44B4D43F98>
- Gertler, M. (1988). Financial Structure and Aggregate Economic Activity: An Overview. *Journal of Money Credit and Banking*, Vol. 20, Part 2 , 559-88.
- Gonzalez-Hermosillo, B. (2008). Investors Risk Appetite and Global Financial Market Conditions. *IMF Working Paper*, 85 .
- Grant, R. (2003). Strategic planning in a turbulent environment: evidence from the oil majors. *Strategic Management Journal*, Vol. 24 No. 6 , 491-527.

- Grewal, R., & Tansuhaj, P. (2001). Building Organizational Capabilities for Managing Economic Crisis: The Role of Market Orientation and Strategic Flexibility. *Journal of Marketing* , 67.
- Hatten, K. J., Schendel, D. E., & Cooper, A. (1978). A Strategic Model of the US Borrowing Industry 1952-1971. *Academy of Management Journal*, 4 , 592-610.
- Hendry, J. (2000). Strategic decision Making, Discourse, and Strategy as Social Practice . *Journal of Management Studies*, 37 , 955-977.
- Higgins, J. (1978). Strategic Decision Making, an Organizational Behavioral Perspective. *Managerial Planning*, 26(5) , 9-13.
- Hopkins, W., & Hopkins, S. (1997). Strategic planning – financial performance relationships in banks: a causal examination. *Strategic Management Journal*, Vol. 18, No. 8 , 635-52.
- Huss, W. R. (1988). A Move Toward Scenarios . *International Journal of Forecasting* , 377-388.
- IMF. (2009, April). *World Economic Outlook, Crisis and Recovery*. Retrieved September 21, 2010, from International Monetary Fund: <http://www.imf.org/external/pubs/ft/weo/2009/01/pdf/text.pdf>
- International Labour Office. (2010). *The Global Economic Crisis, Sectoral Coverage; Automotive Industry: Trends and reflections*. Geneva: International Labour Office.
- Jager, P. (2001). Resistance to change: A new view of an old problem. *The Futurist*, Vol. 35, Iss. 3 , 24-27.
- Kaminsky, G. L., & Reinhart, C. M. (1999). The Twin Crises: The Causes of Banking and Balance of Payments Problems. *American Economic Review* , Vol. 89: 473-500.
- Kaplan, S., & Beinhocker, E. (2003). The real value of strategic planning. *Sloan Management Review*, Vol. 44 No. 2 , 71-6.
- Keagan, W. J. (1983). Strategic Marketing Planning, the Japanese Approach. *International Marketing Review* , 5-15.
- Khakimov, O. A., Erdogan, L., & Uslu, N. Ç. (2010). Assessing Monetary Policy Rule in Turkey. *International Journal of Economic Perspectives* , 319-331.
- Kibritçioğlu, A. (2000). World Crude-Oil Price Increases and the Success of the Disinflation Program in Turkey. *PetroGas*, 16 , 25–28.
- Knight, M. (2008). Some Reflections on the Future of the Originate-to-Distribute Model in the Context of. *Speech at the Euro 50 Group Roundtable on “The Future of the Originate”* .
- Kukalis, S. (1991). Determinants of strategic planning systems in large organizations: a contingency approach. *Journal of Management Studies*, Vol. 28 No. 2 , 143-60.

- Lauenstein, M. C. (1978). Classroom to Boardroom: What You Have Learned May Not Help You. *Business Horizons* , 74-81.
- Lawrence, P., & Lorsch, J. (1967). *Organization and environment*. Boston: Mass: Harvard Business School, Division of Research.
- Liedka, J. M. (2004). Linking Strategic Thinking with Strategic Planning. *Strategy and Leadership*, 26 , 30-35.
- Lipinski, A. J. (1978). Communicating the Future. *Futures* , 119.
- Lorange, P., & Vancil, R. (. (1995). Tailor-making the corporate planning system's design. *Strategic Planning and Control: Issues in the Strategy Process*, Blackwell, Cambridge, MA.
- Matushita, J. (1986). Developing Strategic Thinking. *Long Range Planning* , 72-80.
- McAlpine, L., Weston, C., Beauchamp, J., Wiseman, C., & Beauchamp, C. (1999a). Building a Metacognitive Model of Reflection. *Higher Education*, 37 , 105-131.
- McKinnon, R. (2000). The East Asian Dollar Standards, Life after Deaths? *Economic Notes*, 29 , 31-82.
- Meuller, J. H., & Schuessler, K. F. (1961). *Statistical Reasoning in Sociology*. Boston: Houghton Mifflin.
- Mintzberg, H. (1991). Learning 1, Planning 0: Reply to Igor Ansoff. *Strategic Management Journal*, 12 , 463-466.
- Mintzberg, H. (1990). The Design School: Reconsidering the Basic Premises of Strategic Management. *Strategic Management Journal*, 11 , 171-195.
- Mintzberg, H. (1994a). The Fall and Rise of Strategic Planning. *Harvard Business Review*, 72 , 107-114.
- Mintzberg, H. (1994b). *The Rise and Fall of Strategic Planning*. New York: Printice Hall.
- Mintzberg, H., & McHug, A. (1985). Strategy Dormation in an Adhocracy. *Administrative Science Quarterly*, 30 , 160-197.
- Mishkin, F. (1996). Understanding the Financial Crises: A Developing Country Perspective. *NBER Working Paper No:5600* .
- Mitroff, I. I. (1978). Zen and the Art of Implementation: Speculation on a Holistic Theory of Management. *Journal of Enterprise Management*, 1(2) , 192-205.
- Odom, R., & Boxx, W. (1988). Environment, planning processes and organizational performance of churches. *Strategic Management Journal*, Vol. 9 , 197-205.
- Omurgonulsen, M., & Omurgonulsen, U. (2009). Critical thinking about creative accounting in the face of a banking sector. *Critical Perspectives on Accounting*, 20 , 651-673.

- Oxford Economics. (2009). Turkey. *Oxford Economic Country Briefings, ABI/INFORM Global* , 1-7.
- Özatay, F. (2000). The 1994 Currency Crisis in Turkey. *Journal of Policy Reform*, 3(4) , 327-352.
- Özatay, F., & Güven, S. (2002). The 2000-2001 Financial Crisis in Turkey. *Central Bank of Turkey and Ankara University* , 1-59.
- Pandelica, I., Pandelica, A., & Dabu, B. (2010). The Response of Organizations in Crisis Conditions. *The Journal of American Academy of Business, Cambridge* , Vol. 15, Num. 2.
- Pindyck, R. S. (1991). Irreversibility, Uncertainty and Investments. *Journal of Economic Literature*, vol. 29(3) , 1110-48.
- Pindyck, R. S., & Solimano, A. (1993). Economic Instability and Aggregate Investments. *NBER, Macroeconomics Annual*, eds. O. J. Blanchard and S. Fisher, the MIT Press, Cambridge.
- Porter, M. (1987). Corporate Startegy: The State of Strategic Thinking. *Economist* , 19-22.
- Public Diclosure Platform. (2011). *ISE Companies*. Retrieved March 18, 2011, from Public Diclosure Platform:
<http://www.kap.gov.tr/yay/English/Sirket/sirketListe.aspx>
- Redwood, H. (1977). Setting Cooperative Objectives. *Long Range Planning*, 10 , 2.
- Reid, D. M. (1980). Evaluating the Marketing Mix, Its Application to Strategic Marketing. *European Journal Marketing*, 14(4) , 192-205.
- Reid, D. M. (1989). Operationalizing Strategic Planning. *Startegic Management Journal* , 553.
- Reinhart, C. M., & Rogoff, K. S. (2008b). “This Time is Different: A Panoramic View of Eight Centuries of Financial Crises”. *NBER Working Paper*, 13882 .
- Reinhart, C. M., & Rogoff, K. S. (2008a). Is the 2007 U.S. Sub-Prime Financial Crisis So Different? An International. *American Economic Review (forthcoming in)* .
- Rhyne, L. (1985). The relationship of information usage characteristics to planning system sophistication; an empirical examination. *Strategic Management Journal*, Vol. 6 , 319-37.
- Roubini, N., & Setzer, B. (2004). Bailouts or Bail-ins? Responding to Financial Crises in Emerging Economies. *Institute fo International Economics* , 1-114.
- Schoemaker, P. J. (1995). Scenario Planning: A Tool for Strategic Thinking. *Sloan Management Review* , 25.
- Schoemaker, P. J. (1991). When and How to Use Scenario Planning: A Heuristic Approach with Illustration. *Journal of Forecasting* 10 , 549-564.

- Shrader, C. B., Mulford, C. L., & Blackburn, V. L. (1989). Strategic and Operational Planning, Uncertainty, and Performance in Small Firms. *Journal of Small Business Management* , 45-60.
- Stanislao, J., & Stanislao, B. C. (1983). Dealing with Resistance to Change. *Business Horizons* , 74-78.
- Stiglitz, J. E., & Weiss, A. (1981). Credit Rationing in Markets with Imperfect Information. *American Economic Review*, Vol. 71 , 393-410.
- The Banks Association of Turkey. (2010, September). *September 2010 - Selected Tables by Banks - Consolidated*. Retrieved February 12, 2011, from http://www.tbb.org.tr/eng/Banka_ve_Sektor_Bilgileri/Tum_Raporlar.aspx
- Thompson, J. D. (1967). Organizations in Action. In *Organizations in Action* (p. 148). New York: McGraw-Hill Book Co.
- Undersecretariat of Treasury, Republic of Turkey Prime Ministry. (2011). *General Government Nominal Debt Stock Defined By European Union Standarts*. Retrieved May 06, 2011, from http://www.treasury.gov.tr/irj/portal/anonymous/NominalDebtStockDefinedEU/?guest_user=treasury
- Undersecretariat of Treasury, Republic of Turkey Prime Ministry. (2011, April). *Public Debt Management Report*. Retrieved May 10, 2011, from http://www.treasury.gov.tr/irj/go/km/docs/documents/Treasury%20Web/Research%26Data/Public%20Debt%20Management%20Report/Public_Debt_Management_Report_April_2011.pdf
- United Nations. (2009). *World Economic Situation and Prospects 2009 - Global Outlook 2009*. New York: United Nations.
- Van der Heijden, K. (1996). *Scenarios: The Art of Strategic Conversation*,. London: John Wiley and Sons,.
- Webster, J. L., Reif, W. E., & Bracker, J. S. (1989). The Manager's Guide to Strategic Planning Tools and Techniques. *Planning Review* , 4-14.
- Weston, C., Gandell, T., Beauchamp, J., McAlpine, L., Wiseman, C., & Beauchamp, C. (2001). Analyzing Interview Data: The Development and Evolution of a Coding System. *Qualitative Sociology* , Vol. 24, No. 3.