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Imprints of an Entrepreneur and Evolution of a Business Group, 1948–2010

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In this article, we narrate a historical case study of a Turkish business group (BG) and engage in a dialogue with the existing theories that explain the transformation of BGs. The study builds on the multi-level theory of imprinting to illustrate how our focal group has been continually stamped by its founder's choices during sensitive times in its developmental trajectory. Collected evidence details how the entrepreneur's subsequent imprints are entrenched in the BG's routines, simultaneously enabling and constraining its capabilities. By providing comprehensive evidence about the dynamic interplay among various endogenous and exogenous factors, we illustrate how abstract institutional conditions are reified in, and sometimes opposed by, agential action.

Keywords: business groups (BG); imprinting; entrepreneur; corporate strategy; agency; capabilities

Introduction

The significance and ubiquity of business groups (BGs), as differentiated forms of economic organisation, have now been acknowledged among scholars.¹ Having accepted the distinguished status of BGs, the new challenge has become why and how these forms have emerged and become established in the ways that they did.

Tackling the latter question, existing theories have often emphasised such factors as institutional voids,² asymmetrical trade and investment flows,³ socio-cultural heritage⁴ and the state's active involvement in economic affairs.⁵ While these efforts help to demarcate specific institutional conditions that trigger the establishment of BG structures in different contexts and enable the formation of generic strategic pathways based on variations observed in these conditions,^{6,7} they tone down the rich interplay among key agents' motivations, decisions, repertoires, and their local contexts. To complement and perhaps extend current theoretical explanations, we chose to explore an alternative pathway by providing a historical case study of the Elginkan Group, a renowned and enduring Turkish BG.⁸ We argue that historical case studies are essential to reinstate much-needed detail about how the decisions and actions of key powerful actors, organisational roles and processes, local context, and even international entities' actions have interactively unfolded, based on rich and multi-level data about the past. BGs' operations, as collections of legally distinct organisational entities were often brought together and controlled by various formal and informal mechanisms,⁹ traverse multiple analytical levels. Yet, historical case studies of BGs, which include rich archival evidence and incorporate data

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from different levels of analysis, are rare.¹⁰ Further, as a consequence of the macroscopic stance and abstract focus of extant research, very little effort has been made to conceptualise the role of agency and its interaction with contextual elements in the initial founding or subsequent structuring of BGs.¹¹ For organisational forms such as BGs, discarding agential capacity and behavior may limit theory development because control of BGs often relies on concentrated authority relations, mostly engendered by family and/or kinship linkages.¹²

Usually taking the form of family holdings, Turkish BGs represent almost archetypal examples of their kind, with strong family ownership and control systems, diversified portfolios of affiliated firms, and dense networks of vertical and horizontal linkages between the core holding company and affiliated companies.¹³ Being the dominant organisational form in Turkey,¹⁴ much has been written about Turkish BGs, including their structural configuration,¹⁵ governance structures¹⁶ and strategic choices.¹⁷ But relatively little attention has been paid to their historical origins and transformation. Existing studies have accentuated the role of authoritative state and restrictive economic policies in explaining the formation of family holdings.¹⁸ Almost all of these explanations are marked by a macroscopic stance and an abstraction level that are embodied in various forms of market failure arguments around the globe.

In this study, we adopt ‘multi-level theory of imprinting’¹⁹ to demonstrate how the Elginkan Group has been continually stamped by its founder’s particular choices during sensitive times in its developmental trajectory. The Elginkan Group represents a peculiar case because it originated as a family enterprise, similar to what has often been observed in the Turkish context,²⁰ but transformed into a BG that is exclusively owned and controlled by ElginkanVakfi (Foundation), a charitable trust organisation.²¹ By documenting how key decision-makers’ actions, organisational structure, and contextual conditions have interactively evolved for over half a century, we attempt to complement existing theories by bringing in rich detail about how actors interpret and convert their abstract institutional contexts into concrete actions. We also aim to contribute to the existing debates on BGs’ historical transformation²² by accentuating how Ekrem Elginkan,²³ as the founder, owner, and manager, continually marked the Elginkan Group with his idiosyncratic preferences and norms, which have become entrenched in group-based routines and decision-making premises.

The study is structured in four basic parts. First, we begin by discussing imprinting theory and how we used it in our historical analysis. Then, we detail the approach that guided our analysis, after which we provide more information about the data and narrative. Next, we introduce the narrative on the Elginkan Group, which includes a preface and three time brackets. The article concludes by discussing our study’s main contributions to the literature.

Multi-level imprinting theory from a historical standpoint

Originally introduced by biologists, the imprinting idea was transferred to the domain of organisational studies by Stinchcombe’s seminal work.²⁴ Stinchcombe argued that organisations bear the imprint of their founding environment in their structure, which may become perpetuated in their subsequent structural configuration and actions. His argument for an imprint to occur at the founding stage was similar to the biologists, but unlike genealogical processes, he pointed to several social forces that are likely to induce inertia, such as ‘vested interests’, ‘traditionalising forces’, and ‘ideologies’.²⁵

Whereas Stinchcombe introduced the imprinting idea into organisational studies and conceptualised it in a unidirectional and deterministic way – that social forces determine

organisational forms and characteristics – later works on imprinting developed a more balanced view on the role of agency and structure.²⁶ Importantly, Johnson extended Stinchcombe's original arguments by distinguishing 'the process by which political, cultural, and economic elements of the founding context shape the characteristics of a new organisation, and the process by which these founding characteristics are reproduced during the organisation's subsequent history'.²⁷ In each of these processes, Johnson attributed more potency to the founding agent and to the repertoire that was brought about by him/her. Her study has also helped highlight the distinguishing effect of the entrepreneur in the imprinting process by exhibiting how contemporary entrepreneurs exposed to similar contextual factors may choose to incorporate certain contextual elements over others.²⁸ Other researchers eloquently showed how initially, the founder, and later his son, transformed Indonesia's Salim Group under Suharto's dictatorial political regime, establishing and reconstructing dominant elements of the national business system.²⁹ Thus, it can be argued that recent discussions about the imprinting have shifted towards a more balanced perspective regarding the conventional structure-agency dichotomy.

Marquis and Tilcsik³⁰ recently developed a 'multi-level theory of imprinting' by elaborating and synthesising the scattered literature on the concept. They define imprinting as 'a process whereby, during a brief period of susceptibility, a focal entity develops characteristics that reflect prominent features of the environment, and these characteristics continue to persist despite significant environmental changes in subsequent periods'.³¹ The authors not only exhibit how imprints can occur at different analytical levels – individual, group, organisational, and institutional – but also how these analytical levels interact among themselves. Therefore, according to the multi-level theory of imprinting, while individuals mark organisations, organisational building blocks, and institutions with enduring characteristics, institutions, organisations, and organisational building blocks can also do the same for individuals. The imprinting process, in this sense, works both ways in causality among different analytical levels. Marquis and Tilcsik go on to define the process as a dynamic one, whereby an imprint formed at an earlier sensitive stage can decay and transform when new sensitive stages stamp their distinguishing characteristics on top of previous imprints.³² Thus, by analysing sensitive historical periods in which an entity becomes more susceptible to endogenous or exogenous pressures, the perpetuation and alteration of different imprinted characteristics can be determined.

The dynamic and multi-level configuration of these propositions renders multi-level imprinting theory compatible with our theoretical intent to study our focal BG. Previous studies repeatedly suggested that key characteristics of Turkish BGs, such as family presence in governance structures³³ and the extent of diversification of the business portfolio they controlled,³⁴ remained mostly unaffected even under shifting contextual conditions. Further, by incorporating socially embedded agency in its structure, multi-level imprinting theory is epistemologically well-suited to our approach.³⁵ Accordingly, in our historical narrative, we chose to focus on how environmental conditions have been reflected on Ekrem Elginkan's repertoire and choices during sensitive times, and the extent to which these initial characteristics were retained or altered in subsequent sensitive/non-sensitive periods that the Elginkan Group has experienced.

The narrative: method, data, and key elements of construction

Our approach in this study can best be described as integrationist, a concept eloquently discussed by Üsdiken and Kieser.³⁶ In line with this idea, we did not attempt to use data about the past to test a preconceived model, but held an iterative dialogue with it to

develop our theoretical explanations.³⁷ In this inherently inductive approach, we engaged in a hermeneutical analysis, where we iteratively moved back and forth between texts retrieved from archives, retrospective interview transcriptions, and secondary sources that described contextual characteristics following the basic principles of the hermeneutical circle.³⁸ With our iterative journey saturated, we followed a narrative construction strategy to represent our reflections on the basis of a chronological axis with respect to several sensitive periods that the Elginkan Group had undergone. As there was no exact operational definition for the duration of sensitive periods in multi-level imprinting theory, except that they should be ‘relatively short’ periods of time that were marked by ‘transition’,³⁹ we identified three sensitive periods for our historical case.

We based our historical analysis mostly on the founder’s private archives and on the archives of the Group’s companies.⁴⁰ These archives consist of a rich variety of documents, such as board meeting minutes at the company or Group level, handwritten notes, company brochures, project-based reports, auditing notes, fraud investigations, two edited manuscripts of memoirs written by the founder and his friends.⁴¹ In addition to archival data, we conducted 25 retrospective interviews with current and retired top managers of the Elginkan Group as well as Ekrem Elginkan’s friends and acquaintances. Moreover, we extensively referred to secondary sources – statistics, books, reports – to make sense of international- and national-level contextual dynamics.

Constructing our narrative, we inescapably built on several key concepts that underlie BGs’ strategic decisions and capabilities. While there are a number of works that attempt to define generic capability lists exclusive to BGs,⁴² we preferred to employ Day’s more-comprehensive capability list to better represent the chronological evolution of the skills in our case.⁴³ Day explored firm capabilities under three categories: inside-out, spanning, and outside-in capabilities. *Inside-out capabilities* generally refer to skills located upstream of the value-chain, such as production/manufacturing, integrated logistics, technology adoption, and human resource management.⁴⁴ *Outside-in capabilities* are rather externally focused and geared to recognise and exploit opportunities. They refer to skills such as market sensing, channel bonding, and customer linking.⁴⁵ *Spanning capabilities* integrate the former and the latter by combining and synchronising these skills via strategic planning, new product development, and integrated procurement/pricing systems.⁴⁶

Preface to the narrative: foundations of the family firm

Ekrem Elginkan was born in 1924 and raised in Izmir, a major trade hub and port on Turkey’s Aegean shore highly populated by ethnic minorities.⁴⁷ He was born to a middle-income artisan family of Muslim Turkish origin and had a younger brother named Cahit.

Ekrem pursued a career in engineering and managed to enroll in Mechanical Engineering at Istanbul Technical University (ITU) in 1942. His prudent and disciplined style helped him overcome the difficulties and economic hardships of his school life, which took place during World War II.⁴⁸ Elginkan’s younger brother Cahit also enrolled in Civil Engineering at ITU in 1944. During Ekrem’s six years of scholarship, he developed close friendships with his classmates, with whom he shared similar difficulties. His university education played an important role in his prospective business life, and he became part of an extremely scarce human capital by graduating as an engineer in 1948 from the sole university in Turkey awarding this degree.⁴⁹ Partly due to Ekrem’s dissociated character, his brother (who graduated in 1950) and his university cohort network became his principal source of social capital in his upcoming business life.

After their graduation and completion of their compulsory military services, Ekrem and Cahit became business partners, and this firm became the genesis of the family BG that would be founded later on. The two brothers set up their contracting firm, named Elginler Construction Company, in Ankara in 1953 to stay close to their clients – government offices. However, the bidding process was predominantly governed by social and patronage relations, engendered by businessmen's ties with politicians and government administrators. Lacking superior capability in this area, two brothers preferred to build on their inside-out capabilities to compete. They chose technically and geographically challenging projects, for which less competition existed. Last, they turned to the social network of their university cohorts, many of whom were working for government offices that invited the tenders.⁵⁰ The differentiation strategy the brothers followed for the contracting services offered by various state agencies seemed to produce above-average profits until the beginning of the 1960s.

First imprints: the family enterprise and an emphasis on engineering excellence, 1957–1965

The context

Although Turkey did not join World War II, the lingering economic poverty and political authoritarianism during that time stimulated a socio-political unease in the country. In 1950, the Democrat Party ended the long rule of the Republican People's Party, which was founded by Atatürk along with the Republic in 1923. Turkey's choice to join the camp of the 'Free World' gradually resulted in her membership in NATO in 1952 and brought about American support on every front, including military, financial, and technical aid. The rural development policy of the early 1950s, propagated by several foreign missions,⁵¹ was enthusiastically embraced by the Democrat Party government. The policy created a favourable atmosphere for contracting work, specifically for projects that involved building roads, communication infrastructures, and hydroelectric plants.⁵²

Under these conditions the Elginkan contracting company grew rapidly, winning a significant amount of infrastructure projects from government offices. As they prospered, Elginkan delegated most of the work to his brother and sought new business opportunities, specifically in manufacturing. As a mechanical engineer, he wanted to better utilise his technical capacity. The changing politico-economic conditions after 1954, which restricted importation and favoured import substitution, also played an important part in framing Elginkan's choices.⁵³ Moreover, as a member of an emotionally charged generation, for whom serving the prosperity and independence of the nation was prioritised over individual gains, his decision to embark on a manufacturing enterprise was justified by normative reasons alongside rational ones.⁵⁴

Between 1950 and 1965, markets for almost all resources were underdeveloped in Turkey, pushing transaction costs to extremely high levels. The lack of bureaucratic and autonomous institutions to govern market exchanges contributed to unfair competition, monopoly rents, and favouritism.⁵⁵ In the late 1950s, the Democrat Party's previously liberal policies changed into a more interventionist and authoritarian mode, resulting in economic and political discomfort.⁵⁶ This political pressure and fragmentation led to increasing turmoil and the Democrat Party government was overthrown by a military coup in 1960. Following the coup, controls over international trade and investment flows were formalised in an official import-substitution programme.

Under these conditions, entrepreneurs with appropriate contact capabilities who were able to recognise and adopt transnational technological solutions to local consumer needs

were also capable of extracting above-average gains.⁵⁷ Considering that previously presented market failures were also coupled with restricted international capital inflows and outflows during the mid-1950s, exploiting a bundle of contact and inside-out capabilities became even more critical. Many founders of BGs in Turkey moved into the manufacturing sector after accumulating the necessary capital in importation, trade, and contracting businesses.⁵⁸ Yet most of these entrepreneurs began their manufacturing businesses in accordance with the propositions made by analysts of the import-substitution regime. According to these analyses, imports substitution should ideally begin with the substitution of consumer goods, which could subsequently be extended to the supply chain of these goods by developing firms upstream in the vertical chain, that is, into intermediary and industrial goods.⁵⁹ Elginkan's choice, however, did not coincide exactly with the economic rationale of the times, as he aspired to manufacturing intermediate goods: faucets and valves. Although there was a lucrative market for such items in Turkey because of the lack of local competition, manufacturing operations at the time were technologically challenging, and there was no systematic data about the demand. Ekrem's repertoire and passion for technical excellence as a mechanical engineer seemed to be influential in his decision to pursue this venture.

Establishment of ECA Pressurised Molding Company and the first sensitive period, 1957–1959

The idea to build a factory to produce faucets and related metallic components was enabled by an Italian line of credit.⁶⁰ However, because of his lack of technological expertise, he and his consultants made an incorrect choice by planning to invest heavily in pressurised casting technology instead of permanent mold casting.⁶¹ This mistake was recognised at the last minute but some of the machinery ordered from Italian manufacturers could not be cancelled. As a result, ECA Pressurised Molding Company⁶² began production in Istanbul (1957) with excessive capacity in pressurised molding and from the first day had to diversify its products into aluminum stewpots, frying pans and even children's toys to utilise its excess capacity.

We claim that the establishment of ECA marks the beginning of the first, and perhaps the most important, sensitive period in the developmental trajectory of the prospective Elginkan Group. This period lasted until 1959, when the company's primary value-chain activities – sourcing, manufacturing, outbound logistics, and sales – matured, resulting in positive operating cash flows. This period was of crucial importance because manufacturing was significantly more complicated than contracting, and neither Elginkan nor his technical team had hands-on experience with the former. Thus, technological learning curves about die-casting only slowly progressed, and the under-optimised capacity did not permit reaching ideal unit costs.⁶³ As a result, the factory suffered from operating losses for almost three consecutive years following its establishment.⁶⁴ Family savings and the profits extracted from the Elginkans' contracting business helped the manufacturing business survive these losses. Even under these trying conditions, Ekrem and Cahit did not consider reducing the quality by allowing higher levels of defects or buying cheaper raw materials.⁶⁵ The survival of ECA Pressurised Molding Co. through these technical and financial trials marked two important imprints on the company.⁶⁶ The first was an enduring belief in engineering excellence and product quality, which was an extension of the Elginkans' earlier approach in their contracting work. The second imprint was about the self-confidence and self-satisfaction derived from 'independent' work. Unlike many BG founders, Elginkan did not rely on a transnational or local partner from

whom he could extract valuable intellectual and/or financial capital. These achievements were attained by the diligent work and affective commitment of a small number of industrious engineers, inspired by the company's organic climate.

Non-sensitive period and the structuring of the Group's companies, 1959–1965

By 1959, the Elginkans' contracting company, led by Cahit, had become one of the most renowned in the country. Annual contracted amounts exceeded 15 million TL.⁶⁷ Due to continuing projects, the company owned a substantial amount of construction machinery – excavators, pebble sifters, bulldozers, trucks and trailers, etc. – and a department was formed to maintain them. The engineer who ran the shop produced a metal barrack for workers to reside in on the construction site. Seeing the capacity to produce the prefabricated housing unit with simple metal work equipment, Cahit Elginkan decided to spin off this production factory as a separate unit. In time, the newly established entity began to produce trailers and dampers for trucks, which were often utilised in construction and transportation industries. Five years later, the company relocated to a new factory in Istanbul which although costly, would better connect them to private demands. However, much demand still came from government contracts, and after the 1960 coup, investment budgets were subject to significant variations. And because the Elginkans did not want to engage in outside partnerships or collaborations, the new production factory started to struggle and its losses soared.⁶⁸

The two brothers always worked with high-caliber, experienced professionals, all of whom were engineers.⁶⁹ Consequently, a solid engineering culture emerged in the organisations. The culture was immersed in an engineering-dominant discourse, which manifested itself through the intensity of the technical codifications used in formal and informal communication channels.⁷⁰ The culture's prevalent rhetoric was its enthusiasm for technological excellence and superiority rather than enhanced customer experience. Whereas formal roles lacked precision, and cooperation between units depended more on organic processes of communication, a hierarchical organisational structure began to solidify in the manufacturing enterprises. There was apparently substantial delegation of decision-making to the staff, but they were supervised by the brothers through continuous, immediate, and generally informal feedback. Coordination and mutual adjustment of activities were achieved mainly by professional norms cultivated by the engineering formation.⁷¹ All the managerial personnel were engineers from ITU, and they often had previous work experience in the public sector or SEEs. Through their substantial involvement, the two brothers always made the final decisions and extensively consulted each other about every detail of their respective businesses. But after the summer of 1965, the Group's social structure and business-making premises drastically changed because Cahit Elginkan died tragically, at only 39 years of age.⁷² The death of the younger Elginkan left a significant mark on the prospective course of the business.

Table 1 summarises the basic characteristics of the Group as of 1965.

Perpetuating and decaying imprints: bureaucratisation, professionalisation, and expansion, 1966–1989

Context

While Elginkan struggled to recover from and compensate for the loss of his brother, he also had to adjust his manufacturing business to changing environmental conditions. When the import-substitution strategy became the military government's official initiative after

Table 1. Chronological evolution of external conditions and business group characteristics, 1957–2010.

	Family Enterprise and Engineering Excellence, 1957–1965	Bureaucratization, Professionalisation and Expansion, 1966–1989	Consolidation and Retention, 1990–2010
External Conditions	Rural development project and infrastructural investments Oscillations between liberal and controlled international trade and investment flows Rapid GDP growth with occasional slowdowns Restricted trade unions and activities	State planned industrialisation with import substitution until 1980 with export orientation after 1980 Controlled international trade flows until 1980 with gradual liberalisation, controlled investment flows Rapid GDP growth except years of upheaval and coup (1978–1981) Regulated trade unionism, activist labor	Liberal market economy with privatisations Minimum barriers for international trade and investment flows Variations in GDP growth Passive trade unions and activities
Sensitive Periods and nature of entrepreneurial imprints	1957–1959 Family driven, organic structure Expansion, growth and independence as strategic priorities Emphasis on engineering excellence Ethical concerns about integrity and fairness	1967–1972 Bureaucratic, centralised control with professional executives Expansion and growth as strategic priorities Emphasis on engineering excellence and control Dissociated relations with state and powerful stakeholders Ethical concerns about integrity and fairness	1990–1994 Bureaucratic and centralised control Consolidation and continuity as strategic priorities Emphasis on engineering excellence and control Dissociated relations with state and powerful stakeholders Ethical concerns about integrity and fairness
Governance and group structure	Family control Four firms in 1965 (one manufacturing faucets, one manufacturing trailers, one sales and international trade, one contracting)	Family control, professional TMT as executive board of directors Forty-eight firms in 1989 (15 firms manufacturing faucets, valves, radiators, washers, pipes, drugs, ceramic sanitaryware, ceramic coating; 17 firms for supplying various raw materials or intermediary goods for manufacturing operations; five firms for investments; two contracting firms; five firms for sales, after-sales and distribution; two firms for export and international trade; two firms for services)	Controlled by Charitable Trust Foundation, Board of Trustees Nineteen firms in 2010 (13 firms manufacturing tabs, valves, radiators, gas meters, boilers, ceramic sanitaryware; three investment companies; two sales and after-sales companies; one export firm)

Strategic choices and capabilities

Rapid growth in contracting by exploitation of rural development, diversification in manufacturing.	Rapid growth, related and unrelated diversification	Consolidation, related diversification
Limited contact, outside-in and spanning capabilities, high project execution capability for contracting services, developing inside-out capabilities for manufacturing	Use of external financing and few attempts at acquisitions, building partnerships	Conservative use of external financing, failed attempts at building partnerships
Engineering excellence Decentralised decision-making Professional autonomy Independence	Limited contact capabilities, good inside-out capabilities, medium spanning capabilities, underdeveloped outside-in capabilities	Limited contact capabilities, excellent inside-out capabilities, medium spanning capabilities, underdeveloped outside-in capabilities
400 employees in (1965) 60 million TL revenue (1965)	Bureaucratic control Engineering excellence and product quality Centralised decision-making Professional authority for TMT Independence	Bureaucratic control Engineering excellence and product quality Centralised decision-making Full professional authority for TMT Independence and continuity

Outputs and performance

4500 employees (1989) 1280 million TL consolidated revenues (1989)	3000 employees (2010) 1000 million TL consolidated revenues (2010)
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the coup, international trade and investment flows were severely restricted.⁷³ Turkey adopted a planned model for economic development.⁷⁴ Trade unions proliferated following tolerant regulations instituted in 1963 and collective bargaining practices became widely dispersed.⁷⁵ Under these conditions, fast-paced industrial growth began.⁷⁶ The demand for ECA's products increased both because of expanding urbanisation and the establishment of first-tier industrial firms that required intermediate goods. Thus, even ECA's previously redundant pressurised molding machineries were fully utilised by the surging demand.

Shocked by the sudden loss of his brother, Ekrem Elginkan swiftly engaged in a radical re-organisation of the business portfolio. Rather than re-evaluating the option of forming partnerships, he chose to divest the businesses – automotive manufacturing and contracting businesses – that were previously run by Cahit. Elginkan focused more on the faucet business and embarked on a vertical integration strategy. He began to build a nationwide sales network composed of local hardware stores. Documents indicated that Ekrem copied the structure of the Koç group's similar dealership networks in this stage.⁷⁷ In 1967, Elginkan established Elsan Raw Materials Company to secure and maintain a continuous brass supply to the manufacturing units under the tight import restrictions, which would produce the needed materials from scrap metal. To cope with the expanding responsibilities of the growing business and exercise his prospective growth plans, Elginkan started recruiting mechanical engineers from the Machinery and Chemical Industry Institute.⁷⁸ In the same year, to better control the companies, Elginkan established a holding company, following the Koç Holding example.⁷⁹ With this company, the formal architecture of Elginkan's BG was completed. The holding company's shares were held by the family, and the operating companies' majority of shares were, in turn, held by the holding company. Whereas the holding company was a separate legal entity, it acted like the headquarters of a multidivisional organisation. Ekrem Elginkan became the general coordinator of the holding company, with supreme authority. In 1969, he employed Kamil Oba, another university classmate, as the general manager of ECA, who had been the assistant general manager of Turkey's largest state conglomerate, Sümerbank. After the appointment of his old friend, a rapid bureaucratisation and professionalisation ensued in all affiliated units.⁸⁰

The company's trajectory took an unexpected turn in 1970, when the main factory was forcefully occupied by a number of militant employees during a nationwide labor unrest on June 15 and 16.⁸¹ After seeing unnecessarily wild protests of the workers, many of whom he knew personally, Elginkan felt dejected. Because of his own experiences, he was especially attuned to unfair and unethical behavior.⁸² His acquaintances believed that he took the protests personally, even though they should have been regarded more as a social event.⁸³ After the protests, Elginkan chose to physically distance himself from his companies, and only visited the factories and offices once between then and his death in 1999.⁸⁴

The second sensitive period: professionalisation and bureaucratisation, 1966–1972

The second sensitive period for the Elginkan Group occurred between 1966 and 1970. To compensate for the loss of his brother, Elginkan began to recruit professional executives. This decision, coupled with Elginkan's distancing, had various effects on the structure and culture of the organisation. First, the decision-making power of the professionals in the Group intensified. Second, to retain control, Elginkan established a remote and formal system by condensing authority at the holding company.

To complement the former, a top-down strategic planning cycle was initiated and plans were associated with budgets with the help of the newly appointed general manager. These changes resulted in a fairly bureaucratic system, epitomised by formal roles/procedures and centralised decision-making.⁸⁵ Third, a top management team (TMT), called the executive committee, was formed with dual roles. The team members acted as executive board members of the holding company, but at the same time were acting managers of the key affiliated companies. They also served on the boards of the individual affiliated companies, creating a dense interlocking network and amplifying centralisation. The core TMT members, who were appointed as early as 1972, served continuously for almost 20 years.⁸⁶ The long tenure of these members, however, played an important role in the development of rather static and inert business-making premises in all the Group's affiliated companies. The family-driven, more-flexible, decentralised, and organic social structure of the previous era had changed to a centralised, formal, bureaucratic structure. However, the earlier emphasis on technical quality and superiority, that is, the manufacturing bound capabilities, remained. Elginkan's appetite for growth and expansion also continued to dominate strategic priorities, partly enabled by his choice to retain his dividends in the Group companies rather than spending them.

Non-sensitive period: Expansion and growth during turmoil, 1973–1989

With the favourable conditions of the early 1970s, the Group prospered. In real terms, its consolidated revenues rose from 56.2 million TL in 1968 to 180.3 million TL in 1975. However, after 1978, political clashes coupled with economic turmoil, brought about one of the worst crises in Turkish Republic's history.⁸⁷ In 1980, the military took control with another coup. This time, junta rule lasted for almost three years, until the Motherland Party won elections held in 1983. To control the depletion of foreign exchange reserves, high levels of inflation, and jump-start a slowing economy, the country's import substitution strategy was gradually replaced with liberation in international trade and investment flows.⁸⁸ The new government endorsed an export-oriented growth strategy coupled with large-scale infrastructure investments in utility and transportation. This strategy triggered above-average growth rates in construction and housing services as well as in the manufacturing industry until 1988, boosting the performance of the Elginkan Group.⁸⁹

Even under the tough conditions of the late 1970s, the Elginkan Group grew rapidly. Diversified manufacturing units, previously under the same roof, were spun off as separate companies. Because of the intensifying labor unrest of the 1970s, many of these units were located outside Istanbul in an attempt to ward off increasing unionisation. By 1975, the holding company controlled 17 companies and employed 3000 people. A new plant, replacing the first die-cast plant for valves and faucets, was founded in Manisa, a lathing and coating plant in Edirne, and three pressurised molding companies in Usak and Izmir. Other reasons to spin off so many small companies included: (1) high transaction costs and imperfect markets, enabling abnormal profits; (2) government incentives that benefited investments in rural regions; and (3) inspiration from the Italian manufacturing model.⁹⁰ Elginkan and his TMT were familiar with the Italian model because of their enduring connections with Italian machinery manufacturers and one of Elginkan's Italian friends,⁹¹ although, Group's model only barely resembled the Italian one.⁹²

The Group's diversification intensified after the second half of the 1970s because of Elginkan's elevated self-confidence and favourable conditions observed in the construction industry at the time.⁹³ The Group moved into ceramics by establishing a bathroom fixtures factory in 1980. A completely unrelated diversification followed this

move in 1984, with the acquisition of a drug manufacturing company because of Elginkan's personal interest in that industry.⁹⁴ In each of these businesses, lines, the usual strategy of vertical integration ensued afterwards, increasing the overall number of affiliated companies to 50 and the overall workforce to 4750 by 1987.⁹⁵ In the Group's previous expansions, the relatively easy financing options of the times were conducive to growth.⁹⁶ Further, Elginkan continued to live a solitary and humble life, retaining most of the company's earnings, thus making organic growth viable.

The Group's main capabilities did not change during these years and became confined to a myopic focus on inside-out capabilities, namely, technology development and manufacturing excellence.⁹⁷ Moreover, Elginkan's earlier emphasis on independence and his negative attitude toward partnerships lingered, hindering the development of relevant spanning and outside-in capabilities. With the gradual liberalisation of the markets, local competition intensified. Under these conditions, outside-in capabilities such as market sensing and customer linking became desirable over inside-out capabilities such as manufacturing, technology development, and integrated logistics. Whereas the Group responded to these market changes by recruiting experienced managers to build outside-in capabilities, new recruits were gradually suffocated by the rigid engineering culture and Elginkan's strict financial and behavioral codes. For example, the humble style endorsed by Elginkan and his TMT clashed directly with the export company's expenditure requirements and the pharmaceutical sales representatives' business practices. The latter had to offer clients elite travel opportunities, expensive dinners, and gifts to compete with other companies. Although these practices were legitimate according to the customs and established routines of the respective fields, they were strongly criticised and sometimes made subjects of fraud investigations by the Group administration.⁹⁸ The disapproving attitudes toward these relatively new businesses resulted in frequent replacements of their executives.

Added to these frictions was the instability of international financial flows and high inflation rates, which made external financing and cash flow control even more challenging.⁹⁹ The Group lacked the required capabilities on this front as well. In most of the expansions outlined above, external financing accounted for almost half the total investment size. Unlike many other Turkish BGs, which owned banks,¹⁰⁰ there was no easy way to raise cheaper capital in a tight capital market. However, the Group's rapid diversification, especially to unrelated businesses, required higher than expected capital funds.¹⁰¹ Cash funnelling from the more-established affiliated companies diluted the working capital of all Group companies. Unmatched financial capabilities gradually resulted in higher financial costs and reduced margins. Attempts to fix these issues by recruiting professionals from the Industrial Development Bank of Turkey during the 1980s failed to change the inert and negative cultural codes that were causing the problems.¹⁰²

The Group's ascendancy lasted until 1987, when Elginkan was invited by the Municipality of Istanbul to place an offer on a tender to build and operate the city's natural gas network. Elginkan's old contracting company was revived for this purpose. The company formed a consortium with RuhrGas,¹⁰³ a major German firm, and placed the best offer.¹⁰⁴ However, its proposal was not chosen because of the winning BG's social contacts, which extended to Turgut Özal, the prime minister at the time.¹⁰⁵ Although two of Elginkan's classmates were former prime ministers¹⁰⁶ and one of his former managers was serving as the general secretary of the Municipality of Istanbul, he never chose to use these connections.

The Group's centralised, bureaucratic, and mainly inflexible structure coupled with its underdeveloped outside-in capabilities such as market sensing, customer linking, and alliance building, resulted in serious threats to its existence at the beginning of the 1990s.

Lasting imprints: consolidation and retention, 1990–2010

Context

After 1990, market liberalisation continued, albeit with two important macro shocks, the first occurring in 1994 and the other in 2001. President Özal's unexpected death in 1993 resulted in political instability throughout the 1990s,¹⁰⁷ thus, GDP growth rates became subjected to significant variations and high inflation rates had become a chronic problem.^{108,109} After the 2001 economic shock, an IMF-led economic programme was implemented, which mainly rehabilitated the banking and finance industries, eradicated autonomous watchdog institutions, and accomplished an aggressive privatisation programme.¹¹⁰ With the Justice and Development Party's victory in the 2002 elections, the political environment also stabilised, leading to favourable macroeconomic results. High inflation rates were controlled,¹¹¹ economic output significantly increased,¹¹² much privatisation was realised, and large-scale infrastructure investments ensued.

The third sensitive period: consolidation and retention, 1990–1994

As the Group's unmatched capabilities led to worsening business outcomes in 1991, agency problems surfaced between the TMT members and Elginkan.¹¹³ He had become psychologically more attached (though still distanced physically) to his companies, especially after his mother's death in 1985. He had purposely chosen not to build a family for himself.¹¹⁴ Therefore, his attachment to and identification with the companies were out of the ordinary. When two of the acquisitions completed at the end of the 1980s proved to be failures because due-diligence investigations were not properly done before acquiring the companies, mutual accusations and an erosion of trust arose between the TMT and Elginkan.¹¹⁵ Elginkan's emotional state and age (now in his late sixties) amplified the conflicts among the members. With the 1994 national economic shock, the financial status of the companies worsened. Because the Group lacked the appropriate financial skills to effectively respond to the shrunken capital markets of 1994, the organisation was brought to the edge of bankruptcy. Facing the potential loss of his life's effort, Elginkan became emotionally derailed. He had passed his seventieth birthday and was well aware of the fact that he was approaching his death.¹¹⁶ Having no family to entrust the business to and ensure its continuity, he made some radical decisions that left a strong mark on the Group's prospective path and amplified the effect of earlier imprints.

First, he forced some TMT members to resign, and by 1997 all members of TMT had been replaced with new ones.¹¹⁷ Second, he decided to consolidate the BG by divesting all the businesses that had been developed or acquired after 1980.¹¹⁸ The drug manufacturing and ceramics companies were sold. Most of the small-sized firms that were built during the previous period to complement the major manufacturing firms were either merged or closed down. The shares of the only manufacturing joint-venture firm – Elbo Manufacturing Company – established in 1990 with the Robert Bosch Corporation to produce boilers, were sold to the partner firm in 1997. As a result, the Group consolidated into its core business area of producing intermediary goods for the construction industry. Third, Elginkan made the necessary changes to donate his estate to the charitable trust organisation that he had established in 1985 after his mother's death. He had designed the

governance mechanism of the charitable organisation in an innovative way. Certainly, owners of BGs in Turkey (and elsewhere) have long established trust foundations and allocated significant funds to them in an effort to legitimise themselves.¹¹⁹ However, Elginkan's decision was the first time that a Turkish BG, with all of its ownership rights, was handed over to and controlled by a charitable trust. Therefore, the board of trustees was assembled from diverse stakeholders, including his university classmates and business acquaintances, representatives from Turkey's five largest universities, representatives from various entities such as the Turkish Standardisation Institute, the Confederation of Metal Employers' Union, and the Scientific and Technological Research Council of Turkey.¹²⁰

The deepest imprint that Elginkan's previous actions had made on the Group was in its ownership and governance structure. Since contacts and deals made with third parties, as in the late-stage acquisitions or the joint venture case, were deemed inappropriate, the earlier imprint about independence and internal-oriented growth was amplified. Unlike many other owners of prominent BGs in Turkey, Elginkan never thought about initial public offerings (IPO)¹²¹ and designed a novel governance system by creating the foundation-based ownership and control structure. As opposed to the market governance logic epitomised by IPO, prominent features of which include third-party inspection, dividend based accountability and market/customer focus, Elginkan's foundation based governance logic emphasised independence, self-reliance and internal focus. Second, the decisions made about consolidation and portfolio rearrangement had changed the strategic pathway of the group from a long-lasting 'expansionist and risk-taking' trajectory to a 'conservative, risk-averse' one. Whereas these two important decisions transformed the governance structure and changed the strategic pathway of the Group, they, on the other hand, helped to retain previous imprints, and perhaps, intensified some of the instilled cultural elements. For example, an extreme majority of new appointments to the TMT were still engineers with long tenures in the Group.¹²² This decision served to intensify earlier imprints about engineering excellence and quality focus, fortifying inside-out capabilities.

Non-sensitive period: retention and institutional ownership, 1995–2009

In 1999, soon after these changes took place, Ekrem Elginkan passed away at the age of 75. As according to his will, all of his personal wealth, including controlling shares in his companies, was donated to the charitable trust foundation. For almost two years following Elginkan's death, the TMT struggled to make strategic decisions regarding the companies because the trust's charter did not include the details about how ownership rights would be exercised. A local consultancy firm prepared a new charter, retaining the charitable objectives but defining how strategic decision-making regarding the companies and their property should be exercised.¹²³ Following the acceptance of the new charter in 2003, the board of trustees assumed the role of general assembly and elected an executive board composed of five members.¹²⁴ These members, in turn, acted as a corporate board and governed the executive affairs of the Group. Upon determining the governance structure, the administration of the BG's activities routinised. Ten years after Elginkan's death, the TMT of the new trust organisation was still retaining and preserving the systems they inherited. No radical change was initiated regarding strategic initiatives, nor was there a significant change in terms of capabilities. Many executives told us that they always asked the following question before any significant expenditure: 'What would our elder do if he were here?'¹²⁵ Thus, new actions were strictly built on Ekrem Elginkan's repertoire and

very little motivation existed among the executives and trustees to set a new vision. If anything, the Group's culture became even more static and internally oriented, and the earlier emphasis on inside-out capabilities was strengthened by intensifying skills in R&D. Table 1 summarises the basic features of the Group in 2010.

Conclusion and discussion

We believe that our case contributes to the extant theoretical claims on BGs in at least three major ways. First, the repertoire brought by the entrepreneur stamped the focal family enterprise with distinguishing characteristics, many of which were retained over its entire history. It is not the first time scholars have identified how entrepreneurs mark their organisations with perpetuating characteristics. However, our case provides ample empirical evidence that portrays this marking process for a BG, which is a constellation of distinct economic entities. He was able to stamp the BG's entirety with relatively enduring characteristics because he identified extensively with his companies and gathered a rather cohesive and socially similar team of professionals to execute his plans. Long tenures of almost identically shaped engineers coupled by direct and centralised control mechanisms cultivated strong socialisation processes, and in turn, created a strong culture. For almost 60 years, the company's initial emphasis on engineering excellence and technological superiority was retained.

Second, in line with the multi-level imprinting theory's propositions, we have found traces of retained, amplified and decayed imprints. Earlier imprints of a more flexible, decentralised, and organic family enterprise were transformed into a more bureaucratised, centralised, and professional enterprise in the second period. During the first transformation, strategic emphasis on expansion and growth was retained, as well as the specific ways to attain it. In these two periods, the Group prioritised independence and inside-out capabilities rather than preferring collaborations with external parties or building on outside-in capabilities. The first transformation could be partly attributed to its growth in size and a change in technology from contracting work to manufacturing work. However, this transformation also involved the sudden demise of Elginkan's brother and Elginkan's idiosyncratic choice to physically distance himself from his companies. The second transformation occurred when Elginkan faced losing his business. This transformation did not affect cultural codes or established routines but rather the Group's governance structure and strategic course. The impact of the earlier independence imprint was amplified in this period when ownership rights of the whole Group were entrusted to the Elginkan Foundation according to Elginkan's will. Rather than an IPO, Elginkan chose to entrust ownership and management rights of his BG to a foundation, the structure of which he himself designed. Furthermore, earlier emphasis on expansion and growth changed to retention, resulting in consolidation and portfolio rearrangement. This last move blocked the learning advantages and capability enhancements that would have likely occurred by engaging in alliance building and instilled an even more inward-oriented, conservative engineering culture that emphasised quality, manufacturing excellence, and continuity. Hence, our case seems to also corroborate multi-level imprinting theory's arguments about the dynamics of decaying, perpetuating and amplified imprints.

Consequently, evidence provided by our case complements existing theoretical lenses, which attempt to explain BGs' historical transformations based on particular institutional conditions. We, too, have found notable evidence about how: (1) effects of market imperfections; (2) high-transaction costs; and (3) restricted international trade and investment flows were reflected in Elginkan's choices and strategic initiatives. Thus, our

evidence supports Kock and Guillen's earlier claims¹²⁶ about the role of protectionist international trade regimes in explaining BGs' strategic choices, as well as others' arguments about the role of institutional voids.¹²⁷ Yet, our evidence also showed that our entrepreneur(s) reacted in quite antithetical ways to their environmental conditions and the enterprises still survived. For instance, counter to the practices of many other Turkish BG entrepreneurs, Elginkan did not build on his contact capabilities in the initial stages but on his technological skills and relatively small and dense network of university cohorts. These practices generally contradict both the theoretical premises and the observations made of other BGs in the Turkish setting. Therefore, we believe that agential capacity, however framed by temporal and institutional constraints, still plays a significant role in affecting BG's strategic initiatives.

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Notes

1. Morck, Wolfenzon and Yeung, "Corporate Governance"; Granovetter, "Coase Revisited."
2. Khanna and Palepu, "Why Focused Strategies"; Ghemawat and Khanna, "The Nature."
3. Guillén, "Business Groups."
4. Chung, "Markets, Culture"; Hamilton and Biggart, "Market, Culture."
5. Buğra, *State and Business*; Granovetter, "Business Groups."
6. Amsden and Hikino, "Project Execution"; Khanna and Palepu, "Policy Shocks"; Khanna and Yafeh, "Business Groups."
7. Khanna and Palepu, *Winning*; Guillén and Garcia-Canal, "Emerging Markets Rule."
8. Hereafter usually referred to as the 'Group.'
9. Yiu, Lu, Brutonand, and Hoskisson, "Business Groups," 1553.
10. For unusual examples, see Liu, "Revisiting Hanyeping"; Peng, "Cooperation Against Competition."
11. Carney and Gedajlovic, "The Co-evolution"; Dieleman and Sachs, "Coevolution."
12. Yiu et al., "Business Groups."
13. Çolpan, "Business Groups."
14. Çolpan and Hikino, "Turkiye'nin Büyük Sirketler."
15. Gökşen and Üsdiken, "Uniformity and Diversity"; Çolpan, "Business Groups."
16. Öktem and Üsdiken, "Contingencies."
17. Özkara, Kurt, and Karayormuk, "Turkiye'de İşletme Grupları."
18. Buğra, *State and Business*.
19. Marquis and Tilcsik, "Imprinting."
20. Üsdiken, "Turkiye'de İşletme Grupları."
21. There is no other BG in Turkey exclusively owned and controlled by a charitable trust foundation. And as we will specify in the latter parts of the study, Elginkan Foundation is no longer controlled by a family member. Other major Turkish BGs, such as Koç, Sabancı, Borusan, Enka, and Eczacıbaşı also have affiliated foundations, often controlling a portion of the shares of the respective holding firm. Yet in none of these BGs do the affiliated foundations control a majority share, nor are these foundations governed by non-family outsiders.
22. Kock and Guillén, "Strategy and Structure"; Chung and Luo, "Human Agents"; Dieleman and Sachs, "Coevolution."

23. His full name is Hüseyin Ekrem Elginkan. We chose to refer to him as ‘Ekrem Elginkan’, ‘Ekrem’, or ‘Elginkan’ interchangeably hereafter due to space concerns.
24. Stinchcombe, “Social Structure.”
25. Ibid., 169–170.
26. See for example Boeker, “Strategic Change”; Baron, Burton, and Hannan, “Engineering Bureaucracy.”
27. Johnson, “What is Organizational Imprinting?,” 99.
28. Ibid.
29. Dieleman and Sachs, “Coevolution.”
30. Marquis and Tilcsik, “Imprinting.”
31. Ibid., 199.
32. Ibid.
33. Gökşen and Üsdiken, “Uniformity and Diversity”; Öktem and Usdiken, “Contingencies.”
34. Çolpan and Hikino, “Türkiye’nin Büyük Sirketler.”
35. Marquis and Tilcsik, “Imprinting,” 222.
36. Üsdiken and Kieser, “Introduction.”
37. Kieser, “Why Organization,” 618.
38. Details about hermeneutical textual analysis are discussed in Thatchenkery, “Mining for Meaning.”
39. Marquis and Tilcsik, “Imprinting,” 199–200.
40. We hereafter refer to the private archives of the entrepreneur as PAE and the archives of the holding company as AHC.
41. Entitled *Anular I* and *Anular II*, these two edited volumes were uncovered in the PAE. These volumes contained autobiographical accounts by Ekrem Elginkan about the early period instances (1925–1966) as well as accompanying accounts written by seven of his friends. In total, the first volume contained 83 and the second 109 typewritten pages. These notes also contained detailed lists of projects completed by Elginler Construction Company, maps, figures, written letters, company memos, and photographs. We will hereafter refer to these volumes as *Anular I and II*.
42. For a discussion of generic capability lists, see Amsden and Hikino, “Project Execution”; Kock and Guillen, “Strategy and Structure.”
43. Day, “The Capabilities.” We chose to adopt Day’s capability list over others because it was more comprehensive and included skills that spanned a corporation’s entire value chain from upstream to downstream.
44. Ibid., 41.
45. Ibid., 41.
46. Ibid., 41–42.
47. Toprak, “Yayımlanmamış Bir Monografiden İzmir, 1920–1921.”
48. There were various accounts in *Anular I*, which demonstrated how he managed to survive only because of a small amount of money sent by his grandfather and regular shipments of food sent by his parents, 8.
49. There were only 740 graduates of Yüksek Mühendis Mektebi (ITU’s former name) from 1928 to 1944.
50. For example, Nejat Önal and Edip Haznedar were graduates of ITU who worked for government offices during the early 1950s. They both helped Elginkan in his efforts to bid for various contracting projects. Interview with Nejat Önal, former partner, (April 24, 2006); Interview with Edip Haznedar, (former executive and partner), April 24, 2006).
51. Thornburg, Spry, and Soule, *Turkey*; Barker, J. M., B. U. Ratchford, E. R. Hondelink, T. J. Kauffeld, R. W. Kerwin, L. E. Kirk, W. P. H. Lightbody, G. S. Mason, W. H. Nicholls, E. E. Olson, R. A. Rennie, M. Ross, *The Economy of Turkey: An Analysis and Recommendation for a Development Program*. Baltimore, MD: IBRD and John Hopkins Press, 1951.
52. Pamuk, *Türkiye’nin İki Yüz Yıllık İktisadi Tarihi*, 230.
53. Elginkan noted that he managed to make substantial profits by timely imports of pipes, radiators, and fittings during 1952 and 1953, *Anular II*, 13. He sought other opportunities to expand his business when this option became no longer viable after 1954.
54. Scholars of social history in Turkey tend to portray Elginkan’s generation as the first generation of the Republic, raised with a strong cultivation for “national development” to

“close the gap between modern Western Civilization”; Baydar and Dinçel, *75 Yılda Çarkları Döndürenler*, 1.

55. Pamuk, *Türkiye'nin İki Yüz Yıllık İktisadi Tarihi*.
56. Ahmad, *The Making*, 113.
57. Kock and Guillén claim that these skills play an important part in early-stage development in BG structures in a developing economy, “Strategy and Structure,” 95.
58. Üsdiken, “Türkiye’de İşletme Grupları.”
59. Hirschmann, “The Political Economy.”
60. The credit was offered according to the bilateral economic and technical cooperation agreement (signed in 1955).
61. Halim Doğrusöz, a classmate from ITU, worked as the principal consultant during this stage. Interview with Halim Doğrusöz, (April 27, 2006).
62. The ECA title refers to an acrostic, derived from the first names of family members: Ekrem, Cahit, and Ahmet (father).
63. Oktay Özaras, who joined the Elginkan Group in 1965 from the Machinery and Chemical Industry Institute – an SEE specialising in precision artillery and arms production – noted that the capacities of the polishing and chrome-plating lines were not optimised according to the upstream molding processes. Interview with Oktay Özaras, former executive, (June 14, 2006).
64. *Memo for ECA’s 15th Anniversary*, 4.
65. Gürpınar, *Anılar II*, 78.
66. Elginkan’s typewritten response to a survey of 1948 ITU graduates.
67. *Elginler Construction Company Brochure*.
68. Selahattin Tibet, manager of the unit in those years, explained that the company did not engage in transnational and local partnerships in spite of many offers. Moreover, technical know-how was attained mostly with primitive methods like simple reverse engineering and trial and error. Tibet, *Anılar I*, 75.
69. Almost all these staff were personally recruited by Elginkan. He convinced some of his former classmates, either working in various government offices at the time or with whom he had worked during his contracting years, to come and work for him at the Elginkan Group.
70. We base this reflection upon the many letters and documents in the PAE and the accounts of early-period managers, *Anılar I*.
71. Tibet and Özaras claimed that Elginkan wanted to hear the opinions of different department heads on a matter. During the early era, there was no shortage of demand, discussions and negotiations were always carried out according to engineering calculations and methods. Tibet, *Anılar I*; Interview with Oktay Özaras, (June 14, 2006).
72. He was drowned off one of Istanbul’s famous beaches.
73. Kepenek and Yenturk, *Türkiye Ekonomisi*.
74. Ahmad, *The Making*, 132.
75. The unionised work force as a percentage of total workforce rose from 10.8% in 1963 to 29.6% in 1971, *TCCB, 50 Yılda Çalışma Hayatımız*, 26.
76. From 1962 to 1977, Turkey’s GDP continuously increased, at an annual average rate of 6%, Pamuk, *Türkiye'nin İki Yüz Yıllık İktisadi Tarihi*, 239.
77. Handwritten documents and scripts in PAE.
78. He recruited Oktay Özaras in 1965 based on a family connection. Then Özaras invited İbrahim Hakkı Balıkcı, Nuray Akarçay, and Muharrem Kaynar from the Machinery and Chemical Industry Institute to join the group. Yüksel Başdemir followed that trio in 1972. All these men worked for the Group many years and eventually became top executives in it.
79. Koç Holding, founded in 1963, represents the pioneering example of the family holding form in Turkey.
80. Although it was not formally stated, Oba assumed responsibility for all of the Group’s financial and administrative matters, whereas Özaras assumed responsibility for all the technical issues. This informal arrangement lasted until the formation of formal committees among top management in late 1970s. Interviews with Ahmet Şahin, former executive, (May 09/17, 2006).
81. The protests of 15–16 June, 1970 were triggered by the government’s attempts to restrict labor union membership conditions. Including ECA, a total of 168 companies were affected by the event and five people were killed during the clashes. *Ateşöğulları, 15–16 Haziran*, 35.
82. According to the accounts of his executives, even under the harsh conditions of the company’s establishment period, Elginkan never delayed the payments of employee wages and strictly

- followed regulations about wages and social security rights. Interviews with Ahmet Şahin (May 09/17, 2006).
83. Interview with Yüksel Başdemir, former general coordinator (May 25, 2006); Interview with Yücel Unan, former general coordinator (January 10, 2007).
 84. In 1994 Elginkan made a single visit to one of his factories, *General Coordinator's Meeting Memo*.
 85. We found detailed work-flow charts, role prescriptions, and organisational charts –dated 1972-- that specified within-group and within-affiliated company structure in PAE.
 86. The TMT was composed of Oktay Özaras, Kamil Oba, and Melih Bölükbaşı in 1973. At the end of 1978, TMT members became rather static. Özaras and Oba kept their positions, Bölükbaşı retired, and Nuray Akarçay, Fikret Dirilgen, Yılmaz Güngör, and Yüksel Başdemir became new members.
 87. Scholars noted that more than 5000 people were killed during the clashes between different political supporters in this period, *Özdemir*, “Siyasal Tarih (1960–1980),” 290.
 88. Indeed, the change in national economic strategy occurred with the declaration of the January 24th, 1980 decisions. The mastermind behind those decisions was Turgut Özal. Implementation of the strategy accelerated when Özal's Motherland Party won the 1983 elections and he became prime minister. For a more comprehensive treatment, see *Ahmad*, *The Making of Modern Turkey*, 183–195.
 89. From 1978 to 1989 the average annual increase in the construction and manufacturing industries was 4.7%, compared to a 3% increase in GDP, *Kepenek and Yentürk, Türkiye Ekonomisi*, 322–323.
 90. The model is premised upon a belief that the mutual collaborative practices of small and flexible manufacturing units, organised under geographically condensed industrial districts, will provide better added value.
 91. Gaetano Eberle was Elginkan's personal acquaintance and a significant business partner. He acted as a consultant and arranged many technological connections in Italy and other countries in Europe, especially during the 1970s and 1980s. Interview with Gaetano Eberle (May 22, 2006).
 92. Even though members of the former TMT, for example, Başdemir and Özaras, referred to the Italian model during the interviews, they knew that their BG was not an exact replica. They were mostly inspired by the flexible and dynamic nature of cooperation between various small units in the Italian model.
 93. According to *Ariman, Türkiye'de Sermaye Yoğunlaşması*, 256; the Elginkan Group was the fastest-growing group in the second half of the 1970s among a total of 34 BGs analysed.
 94. Elginkan's personal interest in this industry began long ago, and his mother's illness in the late 1970s increased this interest, making Elginkan more aware of drugs and healthcare services. Interview with Başdemir; Interview; with Özaras.
 95. *Personnel Committee Report*, TP 87–41.
 96. The group resorted to external financing during the expansion period, which from time to time reached 80% of consolidated revenues, *Annual Consolidated Financial Reports*.
 97. *Company Report*, ‘ECA-Elginkan Topluluğu'nun Gelişmesi.’
 98. *Auditing Committee Report* (August 13, 1986).
 99. With the introduction of the export-oriented strategy, the current account deficit was controlled between a minimum of 3 billion and a maximum of 4.2 billion USD between 1981 and 1989, *Kepenek and Yentürk, Türkiye Ekonomisi*, 258. Annual consumer price index increases oscillated between 22% and 60% between 1981 and 1989. TUIK, http://www.tuik.gov.tr/PreTablo.do?alt_id=1014, accessed 24.05.2014.
 100. *Sönmez, Kırk Haramiler*.
 101. A large-scale modernisation investment was made in ceramic tiles in 1986, and the pharmacy business' working capital requirements constantly increased in 1986 and 1987. Documents, SERG, 86–65; SAG 88–92.
 102. One of these high-ranking managers, Mehmet Gürpınar, resigned in 1992.
 103. Ruhrgas was acquired by E.ON in 2003.
 104. Document no KG-87-120.
 105. Interview with Özaras (June 14, 2006); Interview with Fikret Dirilgen, former executive (January 29, 2007).

106. Süleyman Demirel, former president and prime minister, and Necmettin Erbakan, former prime minister, were classmates of Elginkan at ITU.
107. A total of nine governments were formed from 1993 to 2002, many of which were coalitions between different parties, TCB, http://www.basbakanlik.gov.tr/Forms/_Global/_Government/pg_CabinetHistory.aspx, accessed 24.05.2014.
108. From 1990 to 2002, annual GDP fluctuated between 9.4% and -9.4%, seeing negative numbers in three different years. Beyazıt, "Türkiye Ekonomisi," 90.
109. From 1990 to 2001, consumer price index increases were always above 30%, soaring up to 100% and more in some years, TUIK, http://www.tuik.gov.tr/PreTablo.do?alt_id=1014, accessed 24.05.2014.
110. Keyman and Öniş, "Turkish Politics," 148.
111. Annual consumer price index increases were controlled under 10% after 2004, TUIK, http://www.tuik.gov.tr/PreTablo.do?alt_id=1014, accessed 24.05.2014.
112. From 2002 to 2010, average annual GDP increased by approximately 6%. TUIK, http://www.tuik.gov.tr/PreTablo.do?alt_id=1045, accessed 24.05.2014.
113. The Group's consolidated income was negative in 1991 and 1992, *Topluluğumuzun 1968–1994 Yılları*, 11.
114. *Memoirs I*, 12.
115. These two acquisitions were Sitam (1987) and Üstay (1990), both of which operated in the pharmaceutical industry, Documents SAG-87-17; SAG-90-5. Interview with Özaras, (June 14, 2006).
116. We found many small notes in his office that questioned his existence and primary motivation to live.
117. Mehmet Gürpınar was the first top executive to leave in 1992. Özaras and Güngör left in 1993, followed by Akarçay and Oba in 1994. The last to leave were Dirilgen and Başdemir in 1996.
118. In his last note to the managers of the Elginkan Group, Elginkan emphasised the objective of 'eternal organization', a concept that underlined continuity. In that note, he also divulged his choice of related diversification over unrelated diversification, *Handwritten Note in PAE*.
119. See Buğra, *State and Business*.
120. The board was composed of 34 trustees, including Ekrem Elginkan, Elginkan Vakfı Vakıf Senedi.
121. Many other prominent BGs in Turkey had completed their IPOs long before. To provide a few examples, Eczacıbaşı and Alarko Holding's IPOs were in 1974, Koç Holding's in 1986, Sabancı Holding's in 1997.
122. The new appointments were İsmail Balıkçı, Yücel Unan, Muharrem Kaynar, and Gaye Akçen. Among these members, only Akçen was not an engineer. All began to work with the Group in the late 1960s or early 1970s, see endnote 96. Gaye Akçen was the foster daughter of Elginkan.
123. In 2003, the governance structure, role, responsibility and work processes of the trust foundation were consolidated into a small booklet, *Elginkan Vakfı ve Topluluk Şirketlerinin Yönetim İlkeleri ve Usulleri*.
124. The board was called the Executive Committee of Elginkan Group Corporations (ETIM), *Elginkan Vakfı ve Topluluk Şirketlerinin Yönetim İlkeleri ve Usulleri*, 9–10.
125. Interview with Gaye Akçen, executive and foster daughter (January 08, 2007).
126. Kock and Guillén, "Strategy and Structure."
127. Khanna and Palepu, "Policy Shocks."

Notes on contributors

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