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Business Groups and Media in Turkey: A Co-Evolutionary Perspective to their Interrelationships

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Abstract

Based on the co-evolutionary perspective, the study examines the changing nature of interrelationships of business groups and media in an emerging economy, Turkey, over two institutionally and economically different time periods from 1960 to 2005. According to the co-evolutionary perspective, patterns of relationships between business groups and media exhibit a dynamic nature, taking form depending on their interactions with institutional and macro-economic contexts. For a better understanding of this view, we do a description analysis of the interrelationships between business groups and media in the Turkish context, from a co-evolutionary perspective. It appears that co-evolutionary dynamics led to substantial changes in patterns of the interrelationships of business groups and media along with the transformation from the planned period to the liberalization period in the Turkish context. For instance, through the changes in institutional and economic contexts, as well as organizational attributes from the planned period to liberalization period, higher level of media ownership by business groups and higher involvement of business groups in governance mechanisms of the media companies unfolded. The implications of the study for both theory and practice are discussed.

Key words: Co-evolutionary perspective, business groups, media, Turkey, emerging economies.

JEL Classification: M10, L22.

Introduction

Both business groups and media have significant roles in economies, particularly in countries of emerging economies (Granovetter, 1995; Hollifield, Vlad, and Becker, 2004). On the one hand, business groups have performance effects on value creation in certain industry sectors and national economies, arising as a result of entrepreneurs' and firms' enhanced capabilities in emerging markets for repeated industry entry (Khanna and Palepu, 2000), asymmetric foreign trade, and investment environments typically found in emerging economies (Guillen, 1997, 2000). On the other hand, the potential of media industry to contribute to political and economic growth and stability in emerging economies is at least partly dependent upon the development of media organizations that are themselves economically viable (Hollifield, Vlad, and Becker, 2004). Moreover, while media ownership, in general, has a significant impact on the content of news (Gilens and Hertzman, 2000) and the media has tended to provide more coverage on business related issues over the years (Kjær and Langer, 2005; Mazza and Pedersen, 2004), business group affiliated media institutions seem to have a positive impact on the performance of group affiliates particularly in emerging markets (Gönenç, Kan, and Karadağlı, 2004). In spite of these facts, the interrelationships of business groups and media in a particular emerging economy have not been the focus of the research in the field of organizational studies.

Emerging economies have naturally substantial differences from the advanced economies in terms of cultural, social, political and educational characteristics (Dutta, 1997; Fields, 1995; Khanna and Palepu, 2000; Lincoln, Gerlach, and Takahaski, 1992). Such differences necessarily are reflected in the composition of economic, social, and political entities and their relationships to each other. As such, the composition of business groups and their relationships with media will essentially be

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unique to emerging economies. It could be difficult for media organizations to acquire sufficient resources in order to act as unaffiliated businesses in an emerging economy due to technological and economic imperatives (Gillian, 2002). In such a case, the business groups in emerging economies could arise as primary actors to provide the needed resources. As a result, in some countries where institutional mechanisms are not well established, and product, capital, and labor markets are imperfect (Khanna and Palepu, 1997), the business groups that develop their own internal markets may provide needed resources, and thus media organizations could arise as a strategic resource for the business groups (Gönenç et al., 2004).

Researchers on business groups, on the one hand, have highlighted the importance of institutional context and market structure, as well as organizational characteristics in the emergence and growth of business groups (Amsden and Hikino, 1994; Caves, 1989; Chung, 2001; Khanna and Palepu, 1997; Khanna and Palepu, 2000a; Khanna and Palepu, 2000b; Khanna and Rivkin, 2001; Kock and Guillen, 2001; Leff 1976, 1978; Maman, 2002; Tsui-Auch and Lee, 2003). The media research, on the other hand, has put great emphasis on concentration of media ownership as an aspect of market structure and institutional context (Gillian, 2002; Ping-Hung Chen, 2002). Thus, we believe that a deep understanding of relationships between business groups and media requires an examination of institutional context, market structure, and organizational features (Karademir, 2004). Moreover, institutions and markets as well as the interrelationships of business groups and media have necessarily a dynamic nature. Therefore, a co-evolutionary perspective examining the interrelationships over time would be more fruitful. In this light, we adopt a co-evolutionary approach to the evaluation of institutional context, market structure, and organizational characteristics in relation to the business groups-media relationships.

In this framework, we aim to examine the interrelationships of the business groups and the media considering the co-evolution of the institutional environments and the markets in Turkey over two institutionally and economically different time periods, namely the planned period (1960-1980) and liberalization period (post 1980). Turkey is one of the rapidly expanding markets with its unique geographical location at the crossroads of Europe and Asia. The highly diversified business groups have a significant role in the economy (Buğra, 1994). These economic entities are involved in various sectors in the domestic markets, including the media (Yaprak, Osborn, Özgen, and Karademir, 2004; Karademir, Özgen, Osborn, and Yaprak, 2005). However, although the understanding of the interrelationships of business groups and media is highly important in an emerging economy like Turkey due to their respectively significant roles and influences on the business and the society, the formation and development of such interrelationships have not been the focal point of much research, particularly in organizational studies. Through this study, we seek out to describe patterns of interrelationships of business groups and media in the Turkish context from a co-evolutionary perspective. Based on the co-evolutionary perspective, we argue that due to co-evolutionary dynamics, economically and institutionally different time periods give rise to different patterns of interrelationships between business groups and media. We specifically underline that through the transformation in macro economic and institutional environment and their co-evolutionary dynamics from the planned period to liberalization period, the nature of interrelations of business groups and media changes. For instance, despite their dominant role in other sectors of the economy, business groups were reluctant to enter the media business until the end of 1970s (Topuz, 2003). Through the liberalization period, the business groups have tended to increase their control over the media. Through this study, we hope to contribute to a better understanding of the relations between business groups and media in Turkey as an emerging economy from a co-evolutionary perspective. In doing this, we first elaborate on the co-evolutionary perspective. We then examine the co-evolution of the institutional and economic context in Turkey in relation to formation and development of business groups and media companies. The next section outlines the patterns of interrelationships of business groups and media. Finally, we draw conclusions about the implications of the study for theory and practice.

Co-Evolutionary Perspective

Recently, increasing number of researchers have sought to understand the dynamic nature of organizations and their environment from the co-evolutionary perspective (e.g. Lewin and Volberda, 1999; Baum, 1999; Lewin, Long, and Carroll, 1999; Tan and Tan, 2004). Co-evolution, as a term, is defined as joint outcome of managerial intentionality, environment, and institutional effects (Lewin and Volberda; 1999). Consistent with this definition, organizations, their populations, and their environments are considered as interdependent outcomes of managerial actions, institutional influences, and extra-institutional changes (Lewin et al., 1999, p. 535). In essence, co-evolutionary perspective provides a new framework to the debate in organization theory whether patterns of organizational attributes and relationships are formed by environmental determinism or management adaptation. It underlines that neither naïve environmental selection nor naïve managerial adaptation is a primary driver behind evolution in organizational attributes and relationships (Volberda and Lewin, 2003). Instead, the dynamic nature of organizational change and renewal are accounted by concurrent operating of adaptation and selection (Flier, Van Den Bosch, and Volberda, 2003). Adaptation and selection are not wholly opposing forces but are fundamentally inter-related and co-evolving. In this light, co-evolutionary approach stresses that organizational and environmental dynamics and circumstances are forged from their reciprocal interactions (Levinthal and Myatt 1994; Rosenkopf and Tushman 1994). Thus, causes and effects of interaction among organizations and their environments over time have been the main emphasis in the studies from co-evolutionary perspective (e.g. Flier et al., 2003). As such, a co-evolutionary approach assumes that changes may occur in all organizations or populations that interact (Baum and Singh, 1994).

Indeed, co-evolutionary framework indicates that organizational forms and practices have their genesis in a particular set of social and political circumstances forged from the interaction of both exogenous and endogenous influences (Carney and Gedajlovic, 2002; Keiser 1989; North 1990). Thus, co-evolutionary perspective involves varying levels of analysis from the micro level to macro level, as reciprocal interactions are the focal point. While micro co-evolution refers to co-evolution within firms, macro co-evolution takes place between firms and their niche (McKelvey, 1997). Interactions of influences between different levels are a key phenomenon to be studied in co-evolutionary research (Flier et al., 2003; Lewin and Volberda, 1999). Being embedded in an institutional environment, competitive environment, and firm resources, interactions of influences generate certain mechanisms that drive specific co-evolutionary patterns. Thus, co-evolutionary theory requires researchers to focus on dynamic interrelationships between organizations and their environments, putting a strong emphasis on institutional and market mechanisms in particular as well as on organizational mechanisms (Baum and Singh, 1994). Consistently, the co-evolutions of institutions, markets, and firm resources that drive strategic choices at both macro and micro levels over time have been the focal point among the researchers of co-evolutionary theory (Carney and Gedajlovic, 2002; Kock and Guillen, 2001; Khanna and Palepu, 2000). In essence, institutions, markets, and organizational resources necessarily carry different generative mechanisms that are rooted in certain theories of strategy and organization. Institutional theory, market based approaches, and resource-based views are of critical importance to our study of co-evolutionary perspective.

Each of these theories, however, provides a single lens for accounting organizational strategies and actions. For instance, institutional theorists view political, normative, cultural and institutional pressures in the social context as main shapers of organizational practices and strategies (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Tolbert and Zucker, 1983; Scott, 2001; Oliver, 1991). Market centered theories, consistent with neoclassical economics, treat markets as central in explaining organizational behavior and strategies (Chandler, 1962; Williamson, 1975; Hamilton and Biggart, 1988; Chung, 2001). The resource-based view accounts strategic choices of organizations with the dynamic resources they have over time (Barney, 1991; 2002; Penrose, 1959; Wernerfelt, 1984; Teece, 1984; Peteraf, 1993).

In a *co-evolutionary approach*, on the other hand, organizational strategies and actions, and thus the interrelationships of business and the media are considered to take form as the joint outcome of

institutional environment, market mechanism, and organizational capabilities (Lewin and Volberda, 1999). We believe that a co-evolutionary perspective, incorporating the traditional views of the single theories with the views jointly derived from interaction effects between multiple levels of analysis provides comprehensive insights about the dynamic nature of business groups-media interrelationships. Therefore, we take a co-evolutionary perspective for understanding business groups-media interrelationships. It is, however, important to note that a co-evolutionary perspective is more than just examining a “feed-back” loop under any single theoretical perspective. Co-evolutionary perspective thus provides for understanding long-term patterns that are driven jointly from institutional, market and organizational forces. As part of co-evolutionary perspective, we elaborate the co-evolution of the institutional and economic context in Turkey, the changing patterns of business group and media characteristics, and the interrelationships of these organizations over the specified periods.

Co-evolution of Institutional and Economic Context in Turkey: 1960-2005

It is generally accepted that Turkey has experienced, institutionally and economically, two different time periods from 1960 to 2005 (Karademir et al., 2005). These periods are broadly labeled as The Planned Period (1960-1980), and The Liberalization Period (post 1980). In our examination, we primarily focus on the macro institutional context, market conditions, and the form of private business enterprises that drive co-evolutionary patterns regarding the interrelationships of business groups and media. It is important to note that although the two time periods display significant differences in terms of institutional framework and market mechanism, it is also possible to find substantial economic and political commonalities representing the characteristics of a late industrializing country. These commonalities include an inadequate marketing infrastructure, limited communication channels, lack of regulatory discipline, frequent changes in regulation, wide range of marketing failures, as well as political and economic instability (Arnold and Quelch, 1998; Goto, 1982; Khanna and Palepu 1997, 2000). We focus on the time period from 1960 to 2005 to elaborate on the co-evolutionary patterns of interrelationships of business and media in Turkey. It is, however, important to understand the general outlook of economic and business history in modern Turkey.

As of the foundation of the Turkish Republic, the early elites aimed to establish a new economic order compatible with the newly arisen institutional values and priorities, of which secularism and statism were significant and dominant. On the economic agenda, then, was the transition toward a market economy with an indigenous business class (Robinson, 1963: 103). These early attempts for market economy in Turkey coincided with the world economic crisis that had a considerable effect on most parts of the world. This coincidence raised certain doubts about the viability of the market economy among Turkish elites. As Buğra (1994, 98-101) stated, a radical shift unfolded in overall economic policies and relatively etatist political and economic policies prevailed over market oriented policies in this time. The etatist policies, however, did not go long due to their failure to increase the expected growth rate and to attract foreign investment due to the negative impacts caused by the world economic crisis. In order to provide a sufficient growth rate, a more radical etatist approach was taken into effect in the 1940s. The impact of World War II was then in place in those years. Thus, through a more radical etatist approach, the ruling government increased regulations, controls, and restrictions to prevent speculative business behavior during the war years. After the war, economic policies were again shifted back toward a liberal economy; however, with an emphasis on private enterprise it was poised to become one of the beneficiaries of Western Aid (Buğra, 1994, 101-120).

The 1950s were important for the Turkish political system, because the Republican Political Party, establishing institutional and economic priorities of the Turkish Republic as representative of a single political party system, was replaced with the Democrat Party. The Democrat Party was relatively more liberal oriented in economic policies and put the agenda on relatively more liberal policies. Thus, a transformation, with Ahmad's (1977) expression, from “state capitalism” to “liberal capitalism”, unfolded. High growth rate was achieved in these years; but at the same time, state activity in the economy expanded, resulting in increased government spending and enlarged

trade deficits along with high inflationary pressures. As a result, liberalization of the trade regime was again short. The government took protectionist trade measures in 1954 (Ramazanoğlu, 1987). However, the measures taken to protect the economy within the national boundaries remained inadequate and did not resolve the problems of the high level of inflation and the shortage of foreign exchange. There was then a consensus on the need for a planned economy (Buğra, 1994: 128-130).

The Planned Period (1960-1980)

The unsolved problems, such as the high level of inflation and shortage of foreign exchange in the 1950s brought about a dramatic policy shift in the economy called *The Planned Period*, which involved a combination of economic and political pressures. The centralized planning aiming at implementing import substitution policy was the main characteristic of this period. However, in spite of the planned approach, it was still unclear that the economic policies would remain effective and stable. Uncertainty along with red-tape bureaucracy and a complex incentive system were the major problems and issues of criticism in this period (Buğra, 1994: 137). Some of the salient economic measures taken to promote the trade in this period were preferential input prices, low-cost credits, and tax rebates. These measures led to a higher capital accumulation in the private business, an augmented labor and agriculture income, and resulted in an increased market demand.

Planned industrializing efforts brought about an attractive domestic market. As a result, there was an increase in the number of large scale and capital-intensive manufacturing enterprises (Keyder, 1987). The share of private enterprises went up from 48 percent in 1963 to 67 percent in 1975. Besides, the share of private manufacturing industry in the economy increased from around 40 percent in 1960 to 66 percent in 1980. Protectionist economic policies and specific incentives accelerated the growth rate of the private enterprises (Hale, 1981: 201-209).

Capital-intensive industries dominated with limited number of actors increasingly characterized the economy during this period. Then, whereas the share of simply produced products went down, relatively sophisticated intermediate and capital goods had an increasingly higher share (Hale, 1981: 191-192). As such, it was highly profitable to assemble prefabricated goods to sell to a protected market (Ahmad, 1977: 280). Legal modifications in this period gave rise to the reorganization of the family owned business groups. Big business groups were allowed to organize in a form of holding company. Moreover, it was this time period that the representatives of big business enterprises went into an institutionalized form to represent and protect their business interests. However, individual relationships and contacts with the government representatives still had a significant impact on the success of individual firms (Buğra, 1994: 136). Even though governmental policy often favored large firms, the boundaries of state intervention were not identical because of political instabilities that unfolded in this period. Thus, the business class was again suffering from the state based uncertainties.

The resulting consequence of political instabilities was military intervention in 1971. The raising impact of communist ideology was the declared reason for the military intervention in addition to political instability. The governments after the military intervention had very short terms. High amount of balance of payments deficit, high level of inflation and unemployment were the main economic problems in these times. Short-term governments were not able to undertake these problems and political instability continuously increased in the later years of the decade, resulting in another interruption of the democratic process by the military intervention in 1980. The rationale, this time, was a combination of rising terrorism and economic problems in the country (Buğra, 1994: 131; Şenses, 1988).

The Liberalization Period (Post 1980)

The economic policies after the military intervention in 1980 comparatively follow an orthodox stabilization program and were undertaken under the auspices of the International Monetary Fund (IMF). The main objectives were to cope with the high level of inflation and balance of payments, and to open up the economy to international business. These initiatives resulted in an impressive export growth, from 2.9 billion dollars in 1980 to 7.5 billion dollars in 1986 (Şenses, 1988), sig-

nificant progress on the liberalization of the import regime (Baysan and Blitzer, 1991) and liberalization of the financial markets (İnselbağ and Gültekin, 1988).

The radical shift of the economic policy orientation from the import substituting industrializing policies to the export promotion strategies created a significant effect on the private industry. First, companies, which were accustomed to producing for protected local market, were encouraged to be exporters. This change in economic policy orientation triggered organizational change in the companies.

The companies that were not able to adapt their processes through this change could not grow and/or survive. Although exports were promoted and the local demand was restricted, the companies that had a strong domestic market power were able to sell to the local market (Bakır, 1993). Second, the export promotion policy favored trade more than production. This led to the utilization of the excess capacity that had grown during the import substituting industrialization period between 1960 and 1980. Output growth and productivity increased in the private sector. However, investments of the private sector fell short of the expectations with a few exceptions such as textiles, clothing, food, leather products, nonmetallic products, and transportation equipment industries. However, these were low-skill, labor-intensive export industries (Nas and Odekon, 1988; Şenses, 1988; Türel, 1993).

Export promotion system was put into practice to integrate the Turkish industry to the global businesses and markets, yet, brought certain problems (Buğra, 1994: 149-150). For instance, the incentive system was quite complex, unstable, easy to abuse, and more importantly, provided a direct support for exporters but not for the manufacturers. Thus, it resulted in increased business instability associated with higher inflation rates, budget deficits, higher unemployment, and higher foreign and internal debt. Then uncertainty became a significant issue for the business world. For Buğra (1994), this situation unfolds the “paradox of Turkish liberalism”. While the economy was liberalizing and opening out to the world businesses and markets, instable markets, increased uncertainty, and conflict between state and business were characterizing the economy through the process. Moreover, perhaps due to cultural and political reasons as well as economic reasons, decision-making authority on economy was highly centralized in the hands of the prime minister at the expense of the bureaucracy. All these resulted in putting a strong emphasis on the establishment and development of personal relationships between political representatives and businesspersons.

Business Groups in Turkey

Business groups in Turkey share many common features with multi-activity firms found in other late-industrializing countries (Amsden and Hikino, 1994; Kock and Guillen, 2000). Although initial investments of Turkish business groups date back to the 1920s, they have obtained their capital accumulations after the 1950s. While import substitution policies of the 1960s facilitated capital accumulation, outward growth and liberalization-oriented policies of the 1980's created opportunities for further diversification for these business groups (Karademir et al., 2005). The economic policies of the 1980s, on the one hand, created many opportunities for the early-established business groups, while on the other hand, led to emergence of a second generation of business groups as economic actors. Some of these emergent business groups with a highly entrepreneurial spirit displayed aggressive growth strategies (Yaprak et al., 2004). As a result, the 1980s became a growth stage for the early-established business groups while being an early stage for the emergent business groups. In essence, although both were run as family owned holding companies, the former were dominant in business and economy in two specified periods. As such, the early business groups have been recognized as dominant business groups while the latter were labeled as emergent business groups.

Dominant business groups such as Sabancı Holding, Koç Holding, Alarko Holding, and Zorlu Holding dominated the business scene in Turkey in both the planned and liberalization periods (Yaprak et al., 2007). These groups share many common features with multi-activity firms found in other late-industrializing countries (Amsden and Hikino, 1994; Kock and Guillen, 2000). They were quite in-

involved in economic and political issues and almost inseparable from government. They showed a rapid diversification in a short period of time paralleling the transformation of the Turkish economy from import substitution manufacturing to export expansion liberalization after the 1980s (Buğra, 1994). They received significant incentives from governments and invested mostly in underdeveloped but high-growth potential sectors and/or regions of the economy, (i.e., the textile and tourism sectors initially, banking and finance in the recent past and retailing, e-business, and technology, most recently) particularly in the liberalization period. They mainly grew during and before the planned period and displayed a higher level of diversification through the liberalization period. In essence, they had a significant influence on national economic agenda particularly via the associations of their owners and top-level managers served as members in both the planned and liberalization periods (Yaprak et al., 2007; Buğra, 1994). Though they were structured mainly in a centralized form, their affiliated companies had relatively higher autonomy in the liberalization period. However, most of them involved a mix of family control and less traditional corporate governance systems focused on sectors where they had major capital investments (Buğra, 1994).

The Emergent Business Groups, namely, Emergent Turkish Family Holdings, were closely diversified businesses with networks of subsidiaries composed primarily of what would be known in developed economies as small and medium sized enterprises. Being late followers, they were mostly established in the liberalization period. These groups, like their dominant counterparts, owed their extensive growth to government efforts to liberalize the economy. Though smaller than the dominant counterparts, emerging business groups enjoyed much higher growth rates. Thus, each year more subsidiaries of these groups were listed among the Biggest 500 Companies of Turkey. The emergent business groups were not as well connected politically; their political connections were primarily local and/or regional, so they were not able to set the national economic agenda as easily (Yaprak et al., 2007). These business groups appeared highly creative with a distinct entrepreneurial spirit (Buğra, 1994; Yaprak et al., 2004; Yaprak et al., 2007).

The Media Companies in Turkey

The transformation of the media industry and corporations in Turkey has received considerable attention by researchers from various disciplines such as economics, sociology, and political science. Although the transformation of media industry and business in emerging market economies has been accepted to display certain similarities, there tends to be country unique characteristics relying on institutional and market dynamics. In this way, we argue that the formation and development of media companies are significantly influenced by their interactions with institutional and market dynamics. Thus, media companies take form in terms of institutional and market forces, as well as their own organizational dynamics.

One of the most salient characteristics in the evolution process of the media companies in Turkey, perhaps, was the change in ownership status. Prior to the 1980s, the daily newspapers were owned mostly by editor-in-chiefs who had professional journalism backgrounds. Yunus Nadi (Cumhuriyet), Sedat Simavi (Hürriyet), Ahmet Emin Yalman (Vatan), Necmettin Sadak (Akşam), and Hüseyin Cahit (Tanin) can be given as examples for this ownership status (Demirkent, 2000: 93). Professional identities and the journalism background of the owner were very important for the readers. In these years, the number of newspapers owned by businesspersons was very low compared to those owned by editors. Among the examples were Habip Edip Törehan's *Yeni İstanbul*, and Cihat Baban and his friends' *Tercüman* (Topuz, 2003: 220-224). Although some of these businessperson-owned newspapers became successful for a while, most of them had to quit because of poor sales and advertisement revenues. Demirkent (2000: 22) stressed that the major reason for their failure was their willingness to have an influence on editorial content for their own interest while ignoring the public interest. As the 1980's came closer, however, it became harder for journalists to become newspaper owners due to the rising costs of technological investments.

Therefore, the phenomenon turned out to be quite different after the 1980s. Not only newspapers, but also private television channels were mostly in the hands of businesspersons. For instance, the well known media owner in the 2000s, Aydın Doğan, started his business as merchant in 1958 and

took control of newspapers and television channels, as well as the companies in various industries from the 1980s through the 1990s and the early 2000s, by creating reciprocal interactions between his business and media companies (Adaklı, 2006: 263-290). Clearly, technology was a driving force behind the transformation of ownership status of the media. The type of technology used between two periods was relatively dissimilar. While the first period was mostly characterized by the traditional mode of technology, the use of computer aided advanced technologies became a must to remain competitive post 1980s. Apparently, advanced technologies required more capital, which was mostly held by businesspersons rather than founder editors. As a result, the need for advanced technologies facilitated the change in ownership status of media companies from editorial ownership to capital ownership.

Although rising costs of acquiring advanced technologies was regarded as a significant reason for the transformation of ownership status in media corporations in the late planned period and the liberalization period of Turkey, the role of institutional and market driven dynamics were noticeable. Especially during the first decade of the liberalization period, decision-making authority on economic policies was highly centralized in the hands of prime ministers at the expense of the bureaucracy. The highly centralized decision making authority gave a strong power to the prime ministries and their associates to be used to influence business and media for their own sakes. As a result, strongly embedded relationships between government representatives, businesspersons, and media owners unfolded. The changes in policies and decisions were sometimes subject to reciprocal relationships between businesspersons, media owners and politicians (Boratav, 1994; Buğra, 1994: 145). Then, the establishment of intimate relationships with policy makers became vital for the success and survival of both established and emergent economic entities' owners. While it was relatively easier for the owners of the established companies, including dominant business groups to maintain and develop close relationships with policy makers due to their economic, social, and political power, relatively new companies such as emergent business groups and especially those following aggressive growth strategies sought different ways for building relationships and for maintaining power to get a better benefit from the opportunities created by the changing new economic agenda. Thus, having ownership and gaining power in the media industry became quite attractive for those who were involved in media business, such as Aydın Doğan (Doğan Group), Mehmet Emin Karamehmet (Çukurova Group), Kemal Uzan (Uzan Group), Erol Aksoy (Aksoy Group), and Turgay Ciner (Ciner Group). The form of media companies also transformed in this process. While the single business was a dominant form among the initial media companies, a striking increase occurred in the business groups affiliated with media companies as of the 1980s. This phenomenon triggered a wide range of economic, social, and political consequences; one of them was the embedded relationships between media and business.

Simple structure was highly dominant among the media companies prior to the 1970s. In essence, this was not surprising in a setting that media companies were being characterized by single business form, relatively smaller size, and founder-editor. Thus, a great number of companies lacked understanding of modern business management techniques. For instance, editors-in-chiefs who also owned and managed the companies were good at their own work, namely at publishing, but not at managing and organizing business operations of media companies. Most media companies in those years were composed of editorial staff, accountants, very small groups of advertising people, and workers (Demirkent, 2000: 64). Throughout the liberalization period, however, thanks to the welcoming of the big capital, media corporations invested heavily in the technology, and other facilities. Increase in size and complexity of operations required adoption of formal organizational structure and modern principles of business management. However, as the owners of the business groups became more influential in a wide variety of decisions such as publication, distribution, and even editorial issues, source of authority changed from independent editorial staff to boss-directed editor. Besides, the intervention of bosses sometimes had devastating effects on the coordination between editorial boards and administration (Demirkent, 2000: 62). Editors, also acting as founder, were quite strict in editorial issues in the 1960s and 1970s. Serving for public interest, publishing neutral news, and tracking the agenda were the major priorities among editorial issues. Yet, through the 1980s and 1990s, intervention of business group owners to the editorial issues of the

affiliated media turned out to be a common issue. Thus, media companies often attempted to lead agenda on their own interest, publishing purposeful news. Journalists who suffered from the situation sometimes had to resign from their companies. As business groups gained more power in the media industry, however, alternative employment opportunities were likely to decrease. Besides, new media owners did not have much difficulty in attracting famous journalists, since they paid noticeable wages and transfer prices to the journalists who adapted to the guided practices (Özsever, 2004: 197-198). Yet, newspapers fell short of attracting readers partially due to the degeneration of the editorial content, editorial reputation, and rivalry of the emergent television sector. These developments were reflecting the signals of severe media wars upcoming at the end of the 1980s.

Interrelationships of Business Groups and Media in Turkey

We observed that the interactions in the changes of the structure of media companies, business groups and macro institutional and economic setting brought about certain changes in the interrelationships of media and business groups in various aspects all through the way from the planned period to the liberalization period. The aspects significant to our study were considered as governance mechanism, source of revenue for the media company, advertisement, basis of success, and political aspects of the interrelationships. Table 1 summarizes the patterns of interrelationships between the business groups and the media in these aspects for the two time periods, along with the characteristics of co-evolutionary dynamics of institutional context and market structure, as well as business groups and media themselves.

Governance mechanism manifests the controlling mechanism of a company. The controlling mechanism is very significant for the media company because of its effects on a very large audience. It appears that the control mechanism in Turkish media companies displayed a significant transformation in transition from the planned period to the liberalization period. Media companies were mostly under the control of editorial staff, as they had no strong connections with neither the business world nor politicians during these years. Through the liberalization period, on the one hand, media needed more capital as a requirement of raising cost and advanced technologies, while on the other hand, it was very important for the businesspersons to be involved in media for gaining influence over political actors because of highly individualized relationships of policy makers and businesspersons. There were intensive incentive policies conducted by government to be used by businesspersons. Personal connections had a strong role on getting benefits of these incentive policies. Thus, media had a crucial role on the establishment of intimate connections with political actors during this time period. Thus, some business groups were eager to acquire media business to have an influence over politicians when needed. This resulted in a change of governance mechanism of media. That said, most media companies were not under the ownership and control of editorial staff anymore; instead, their ownership and control passed to the hands of businesspersons, namely to some business groups.

Clearly, revenues of a typical media company consist of advertisement and sales. This was truly consistent with the situation of media companies in Turkey during the planned period. However, through the liberalization period, other revenue sources also turned out to be crucial for most media companies. In this period, business group affiliated media companies received significant supports from their affiliates. Besides, government incentives were also another important source of revenue for some media companies. Such funding relationships between media, business groups, and political actors had a relatively significant impact on media coverage. Media companies, as they needed and received funds from business groups and governments, were somewhat inclined to change their coverage for the interest and sake of related political actors and businesspersons.

Table 1

Co-evolutionary Dynamics and Patterns for Business Groups-Media Relationships

Co-evolutionary Dynamics	Co-evolutionary Patterns	
	<i>1960-1980 (Planned period)</i>	<i>Post 1980 (Liberalization period)</i>
Institutional Context	Planned approach to implement a policy of import substitution with critics from coalition governments	Outward growth and liberalization approach Increased uncertainty Increased market intervention Individualized relationships between state and businessmen Corruption and bribery
Markets (Economic context)	Limited number of actors dominated capital-intensive industries Less capital-intensive industries were crowded by small-size enterprises competing for the market share Service industry emerged as a result of the industrial growth during the period	Liberalization of financial markets Liberalization of International Trade system Privatization Impressive export growth
Business Groups		
<i>Type of Dominant Business Groups</i>	Dominant Turkish Family Holdings	Dominant Turkish Family Holdings; Emergent Turkish Family Holdings
<i>Ownership status</i>	Typically owned by a family	Typically owned by a family
<i>Growth stage</i>	Typically growth stage for dominant business groups; birth stage for emergent business groups	Typically continuing growth stage for dominant business groups; relatively early growth stage for emergent business groups
<i>Diversification</i>	Less diversified	Relatively more diversified
<i>Authority structure</i>	Centralized structure	Centralized structure with relatively higher autonomy given to the affiliated companies
<i>Bank ownership</i>	Less common	Prevalent
<i>Media ownership</i>	Less common	Prevalent
Media Companies		
<i>Form of business</i>	Single business	Affiliated business
<i>Ownership status</i>	Typically editorial ownership	Typically capital ownership
<i>Source of authority</i>	Founder editor and editorial board	Boss directed editor
<i>Organization structure</i>	Simple structure	Professional bureaucracy
<i>Editorial purpose</i>	Public interest Relatively neutral news Tracking agenda	Personal interest Purposeful news Creating and leading agenda
<i>Source of identity</i>	Publishing as a profession	Publishing as a business
<i>Source of legitimacy</i>	Editorial content Editorial reputation Normative conformity	Influence Market position Coercive and cultural conformity
Technology	Traditional technology	Advanced technology
Interrelationships of BGs and Media		
Governance mechanism	Controlled by editorial staff	Controlled by capital owners, mostly by business groups
Source of revenue	Advertisement and sales	Advertisement, sales, and supportive funds from affiliated business groups, government incentives
Advertisement	Relatively little competition in advertisement market; led by business companies	Intensive competition in advertisement market
Basis of success	No direct connection	Mutual interest

The competition in advertisement was another important issue that led to transformation of interrelationships of business groups and media. Competition between different media companies has always been present in Turkey, but not so severe until 1988. In this year, a severe competition, called *promotion wars*, started between the rival media companies. Typically, promotion is known to be one of the four marketing mix elements. A promotion activity aims to disseminate information about a service, product, product line, company or a blend of these. Advertising, personnel selling, sales promotion, and public relations are the strategies that form a promotional mix. In accordance with these explanations of promotion, initial promotional activities including gift and discount coupons date back to daily newspaper Cumhuriyet's promotion campaign of 1928. On the other hand, lottery type promotions in the media industry date back to the late 1950s and early 1960s. All these promotional activities were aimed at increasing sales and advertising incomes of the newspapers. Even Milliyet, a well-read daily newspaper, aimed at this when it initiated big lottery type promotional activities.

Milliyet's initial campaigns were composed of gifts including household goods such as refrigerators, washing machines, and ovens. However, as its rivals organized bigger campaigns with more appealing gifts, Milliyet dared to offer more challenging campaigns including gifts such as automobiles, apartments, and lands for construction. At the end, promotion campaigns turned out to be bids among big media companies, which often called themselves *mega media* and most of the prestigious journalists were involved in these so-called media wars. Well-known journalists did not only criticize rival media companies and their personnel in terms of editorial issues but they also criticized the activities of the business groups with which rival media companies were affiliated. The resulting consequences were not pleasant for society and even for the business and media. Newspaper headlines, columns, news, and discussion programs were all dominated by corruption and bribery claims (Özmenak, 2005: 16; Topuz, 2003: 349-355). Some media companies such as Hürriyet, Akşam, and Günaydın significantly suffered from financial troubles. The owners of media companies changed through acquisitions in the subsequent years. However, the monopoly characteristic of the industry has still not changed (Topuz, 2003: 349-355).

The basis of success for a media company directly relied on editorial performance. During the planned period, if the media company displayed an acceptable and expected editorial performance, it was more likely that it was going to be sold, provide more revenues, and result in a higher degree of success. Through the liberalization period, there existed a transformation in the basis of success for media companies due to embedded relationships with political actors and businesspersons. During these years, editorial performance was still significant to some extent, but the success of the media company started to be determined by the performance of relationships with fund sources, mainly the business groups and the government representatives. As a result, the protection of mutual interests emerged as an important issue. The business world and government were a means of resources when needed, while in turn, the media was arranging the coverage in terms of their mutual interests.

Conclusions

In this study, we aimed to understand the interrelationships of business groups and media from co-evolutionary perspectives over two different institutional and economic periods from 1960 to 2005, in Turkey. Co-evolutionary perspective suggests that organizations, their populations, and their environments are considered as interdependent outcomes of managerial actions, institutional influences, and extra-institutional changes (Lewin et al., 1999). Consistent with this argument, we considered that the patterns of business-media relationships co-evolve with the changes in institutional, economic, and organizational contexts. To understand the co-evolutionary patterns, we examined the macro institutional and market context, the changing nature of organizational forms and the effect of their reciprocal interactions on the interrelationships of business groups and media.

The study confirms the argument of co-evolutionary perspective. Accordingly, as co-evolutionary perspective suggests, the patterns of organizational attributes and relationships take shape in terms of both environmental determinism and managerial adaptation. Our examination indicated that there are co-evolutionary patterns in the interrelationships of business groups and media in Turkey. The interrelationships of business groups and media were observed to be of dynamic nature, de-

pending on the changing institutional influences, changing macro-economic policies and changing attitudes of organizational actors. In the context of Turkey studied, institutional influences and market forces displayed a significant change from the planned period to the liberalization period, resulting in a change in business groups-media interrelationships.

Therefore, the patterns of relationships between business groups and media unfolded in different ways, in institutionally and economically different time-periods. It seems that the interactive relationships of business groups and media companies with macro-institutional and economic environment affected their interrelationships. For instance, in the first period, which was characterized by the planned approach and protectionism, the media companies were mostly owned by editorial staff and not greatly affected by businesspersons and political actors in providing coverage. However, the second period, called the liberalization period, showed a great amount of embedded relationships between media owners and business groups, resulting in capital controlled media ownership, biased news, corruption and bribery claims.

There are also some important practical implications of this study at both policy and management levels. It seems that the liberalization period in the Turkish economy brought about embedded relationships between business groups and media, and such relationships tended to lead to a negative image for both media and business groups. When the media is taken as a strategic resource for a business group, the resulting consequence could be biased news and corruption as seen in the liberalization period of Turkey. Therefore, there should be a sufficient amount of distance between the business world and media. Media should be owned by independent individuals who are not involved in business in different industries. That said, businesspersons should be allowed to take part in ownership of media companies only in a way that they cannot provide privileges and strategic advantages for themselves by media. To do so, policy makers may put a limitation on the ownership of media by business or business groups so that media can act independently, rather than being a strategic resource for business groups.

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