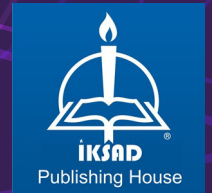# SELECTED STUDIES
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AUTHORS

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Assist. Prof. Çağla EDİZ
Assist. Prof. Duygu CELAYIR
Assist. Prof. Hakan KOLÇAK
Res. Asst. Dr. Zafer KUYRUKÇU
Dr. Rana ÖZYURT KAPTANOĞLU
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Iksad Publications – 2020©

ISBN: 978-625-7914-41-3
Cover Design: İbrahim KAYA
March / 2020
Ankara / Turkey
Size = 16 x 24 cm

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FOREWORD

The importance of science and scientific studies is felt with its presence in today's societies. With science policies, this importance is emphasized seriously and system studies are carried out.

In the past and present, there are many disciplines that examine human relations with himself, his environment and institutions in social life, and these disciplines are gathered under the name of Social Sciences.

Considering that the purpose of social sciences teaching is the field of activity in which the individual, social events and human relations are investigated, it becomes clear how important the scientific researches on this subject is.

In this context, in parallel with the dizzying development in technology in the intervening time, the importance of Social Sciences has increased to the same extent.

This study, designed under the name of "Selected Studies on Social Sciences", consists of studies that fill a significant dearth involving different subjects and fields published in the field of social sciences.

This study contains very valuable studies by Assist. Prof. Hakan Kolçak (Ongoing Unionism: A Comprehensive Analysis of Galicia Via Constitutional and Legal Perspectives), Res. Asst. Dr. Zafer Kuyrukçu and Prof. Dr. Ahmet Alkan (Universities in The Context of Its Relationship with The City), Assist. Prof. Çağla Ediz (Changing Roles of Bills of Materials with Developing Technology in Business Functions), Lecturer Sadife Kinali (Place and Importance of The

Strategic Human Resources Management in Enterprises: Application Examples), Assist. Prof. Duygu Celayir (The Use of Professional Skepticism in Fraud Risk Assessment), Research Assistant Gökhan Konat and Research Assistant Dr. Mehmet Temiz (Economic Determinants of Foreign Portfolio Investments: Case of Turkey), Dr. Rana Özyurt Kaptanoğlu (Ethical Leadership and its Effect on Happiness).

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[1] Assist. Prof. Dr., Hitit University, Faculty of Fine Arts, Design and Architecture, Department of Textile and Fashion Design, ozlemkaya@hitit.edu.tr

CHAPTER 1

ONGOING UNIONISM: A COMPREHENSIVE ANALYSIS OF GALICIA VIA CONSTITUTIONAL AND LEGAL PERSPECTIVES

Assist. Prof. Hakan KOLÇAK[1]

[1] Recep Tayyip Erdogan University, Faculty of Law, Department of Public Law, Rize, Turkey. hakankolcak@icloud.com

INTRODUCTION

Galicia is situated in the north-western corner of the Iberian Peninsula. It is a Celtic-origin autonomous community of Spain. The Galicians suffered from numerous coercive assimilation policies in the history of Spain. The Spanish transition to democracy allowed the Galician people to establish and advance their own political culture in an autonomous region, constructed in accordance with the Spanish Constitution of 1978 and the 1981 Galician Statute of Autonomy.

The self-government settlement for Galicia is still regulated and secured by the aforementioned primary legal sources. According to the settlement, Galicia is now a non-sovereign, asymmetric region of the Spanish State. It exercises executive, legislative and judicial self-governing powers via its autonomous entities, the Galician Parliament (*Parlamento de Galicia*), the Galician Government (*Xunta de Galicia*) and the High Court of Justice for Galicia (*Tribunal Superior de Xustiza de Galicia*).

The settlement does not bestow Galicia with the right to conclude international treaties (treaty-making powers). Exercising this right could have rendered the Autonomous Community a subject of international law. Nevertheless, Galicia is authorised by its statute of autonomy to exercise treaty-affecting powers, enabling the Autonomous Community to ask the Spanish central government to enter into treaty negotiations and conclude treaties concerning overseas Galician migrant communities, the Galician language and culture.

The self-rule settlement acknowledges Galicia as an ordinary part of the sovereign Spanish State at the international political level. This means that the Autonomous Community cannot enjoy any equality status with sovereign states at the international political level. Hence, Galicia can represent itself at this level only under the flag and authority of the Spanish State. To put it differently, the Autonomous Community cannot become a separate member of an international political organisation to which Spain has already adhered; nor can it obtain membership of such organisations to which Spain has not adhered yet.

Contemporary Galician politics has been dominated by the unionist political parties, namely the conservative centre-right People's Party of Galicia (*Partido Popular de Galicia*, PPdeG) and the socialist centre-left Socialist Party of Galicia (*Partido dos Socialistas de Galicia*, PSdeG). The Galician Parliament has always been dominated by these two unionist parties seeking to preserve Galicia's constitutional ties with Spain. The secessionist Galician parties – e.g. the Galician Nationalist Bloc (*Bloque Nacionalista Galego*, BNG) and the Anova-Nationalist Brotherhood (*Anova-Irmandade Nacionalista,* ANOVA) – have always remained in a minority position in Parliament.

In parallel to the unionist characteristic of the Parliament, no secessionist cabinet has ruled Galicia so far. Eleven Galician Executives have been formed since the establishment of the Autonomous Community in total. None of these governments has governed the region with a political programme aimed at Galician independence. As a natural consequence of this governmental position,

no separatist leader has been sworn in as President of Galicia; rather, all the seven Galician Presidents have pursued their unionist political agendas.

Various studies have examined the economic, social and political culture of Galicia, but there are merely few studies that scrutinise the constitutional culture of Galicia. As an interdisciplinary work drawing on the methods of general public law and constitutional politics, this article fills the research gap. The article is organised in the following fashion. The first section briefly examines the early history of Galician constitutional politics. The article then studies the position of Galicia in Francoist Spain. Subsequently, the article examines the Spanish transition to democracy and the construction of the Galician Autonomous Community. After studying all important political and legal developments of the democratic transition, the article analyses contemporary Galicia in a constitutional manner.

1. HISTORY OF GALICIAN CONSTITUTIONAL POLITICS

Before its incorporation to the nascent Spanish State following the marriage of Fernando (King of Aragon) and Isabel (Queen of Castile) in 1469, Galicia exercised a degree of political autonomy as part of the Kingdom of Castile (Beswick, 2007). Under this system, quasi-feudal Galician districts were controlled by the political families that maintained their domestic legal practices and customs while creating a Galician politics based on the culture of cronyism (Veiga, 2014).

After the merger of the two Crowns, the Spanish State began implementing numerous coercive assimilation policies towards Galicia, e.g. political restrictions upon the power of the Galician aristocracy; the establishment of Castilian (Spanish) as the language of social prestige; and the creation of the Royal Audience (*Real Audiencia*), a judicial district functioning as an appeals court that empowered the Castile-origin Galician nobility to reinforce the usage of Castilian as the language of the court and clergy (Diaz, 1979).

The number of such policies dramatically increased just after the installation of the Bourbon Royal House in 1700, when the monarchy announced his desire for a united, homogenised Spain. The Bourbons believed in the assumption that an imagined Spain could solely be constructed with a centralised jurisdiction repressing and excluding ethno-cultural differences through assimilation and homogenisation. They prohibited the use of languages other than Castilian in all public sectors from administration to education. Furthermore, they unified Spain into a single centralised monarchy by means of the 1833 Territorial Division Law, dividing Galicia into four provinces, A Coruña, Lugo, Ourense and Ponteverda. These were ordinary Spanish provinces with no mutual political or legal links to each other (van Morgan, 2006).

These policies had a negative impact upon the protection and development of Galician ethno-cultural identities. The upper echelons of Galician urban community attempted to restore their national characteristics with the rise of the *Rexurgimento*, a regionalist political

movement inspired by European Romanticism. This romantic intellectual nationalism recognised language as *"a core element in a group's claim to nationhood"* (O'Rourke, 2014:76). It allowed the Galician elite to shape the ideology of *Galeguismo*. Under the banner of this ideology, the intelligentsia attempted to demonstrate their strong ethno-cultural ties and close identification with Galician cultural, linguistic, historical and territorial characteristics by means of innovative works written in Galego, e.g. the literary compositions of Eduardo Pondal, Enrique Curros and Rosalía de Castro, and the historical writings of Manuel Murguia (Kelley, 1994).

These initial attempts reawakened political consciousness in Galicia to have Galego officially acknowledged as the regional language, rendering the *Galeguista* movement a political movement asking not only for linguistic and cultural demands but also for a sort of political autonomy securing Galicia's right to self-determination. As a consequence of this political desire, the movement established its own political party, the Galician Regional Association (*Asociación Regionalista Gallega*), whose manifesto demanded an autonomous Galicia modernised socio-politically while retaining its ethno-cultural features (Maiz, 2010).

The Glorious Revolution of 1868, led by Catalan General Juan Prim, brought down Queen Isabella II and established a short-lived federal democratic republic (First Spanish Republic) with the adoption of the Constitution of 1869. This could potentially have fulfilled the demand of the *Galeguista* movement. However, the Republic was restored with

the Bourbon return in 1874 following a six-year unrest. Both the democratic monarchy of Amadeo I, who had been installed as King of Spain upon the deposition of Isabella II, and Estanislao Figueras, the first President of the Republic, were removed from office, whilst Juan Prim was assassinated in Madrid. The Bourbon restoration was ultimately consolidated with the Constitution of 1876, under which Spain was recognised as a moderate, centralist, liberal state (Beramendi, 1999).

The monarchy managed to pursue its repressive policy towards the Galicians, alongside the Basques and Catalans, during the first part of its restoration (1875-98), but a nationalism crisis began once Spain lost its last important colonies – Cuba, Puerto Rico and the Philippines – following its defeat in the Spanish-American War. The defeat was regarded by the Spanish public as a natural corollary of the ineffective, undemocratic Spanish political system. It indicated Spain's impotence in the international arena. Moreover, it stimulated the above three non-Spanish ethnic groups to initiate strong nationalist movements, resulting in "*the conflictive coexistence, with a single state, of four nationalisms, each referring to a different nation: Spain, Catalonia, Euskadi [Basque Country] and Galicia*" (Beramendi, 1999: 89).

In Galicia, nationalist politics took its ultimate shape in the Galician Solidarity (*Solidaridad Gallega*, SG), a political organisation active from 1907 to 1912. In its short life, the SG sought support for its manifesto aimed at establishing Galician autonomy in a republican Spain. After failing to attract a dramatic attention, it was dissolved in

1912 (Warf and Ferras, 2015). Not long after its dissolution, the Galician elite formed a new organisation: the Brotherhood of the Language (*Irmandades da Fala*, IF). The IF was led by Antón Villar Ponte and active between 1916 and 1936. Like the SG, the IF sought to construct an autonomous Galician region within a federal republic. Unlike the SG, the IF succeeded in receiving support for its political program mainly through several academic works published by the intellectual-based group Our Generation (*Xeración Nós*) (Flitter, 2011).

The support dramatically increased during the dictatorship of General Primo de Rivera, who took up the reins of government in September 1923 with the backing of King Alfonso XIII and the Spanish Army. During his ruling period, the General suspended the constitution, adopted martial law, and abrogated the *turno* mechanism of alternating parties with the goals of eliminating corruption and regenerating Spain. After his failure to achieve these goals, he was obliged to resign in January 1930 (Beswick, 2007).

The resignation of the General urged many political organisations, including not only nationalists but also socialists and even old conservatives, to join those forces demanding a republican Spain (Veiga, 2014). This resulted in the adoption of the Pact of San Sebastián, the key agreement signed by all republican tendencies to overthrow the monarchy and construct a republic. The Pact allowed for a joint anti-monarchy campaign during the 1931 municipal elections which were regarded as a *de facto* referendum for republicanism (Conversi, 2000).

Since the republicans won a landslide victory in the elections held on 12 April, they proclaimed the Second Spanish Republic on 14 April, when King Alfonso XIII abdicated and left the country. Following the King's departure, a provisional republican government led by Niceto Alcalá-Zamora was formed. The government called a constituent parliamentary election to be held in June 1931. Following the election in which the republicans and socialists won a huge victory, the Spanish Parliament (*Cortes Generales*) drafted a new republican constitution, which became operative in December 1931 (Jackson, 2004).

The new constitution not only guaranteed a wide array of civil liberties, but it also changed the symbols of Spain, including the national anthem (*Himno de Riego*) and the flag (*Tricolor*). Moreover, the constitution attempted at resolving the question of nationalism by constructing a semi-federal republic where all regions enjoy a constitutional right to autonomy (Hudson, 1932). Having adopted their own statutes of autonomy, both Catalonia and the Basque Country began to exercise their constitutional self-government right in 1932 and 1936, respectively. However, Galicia could not exercise this right during the Second Spanish Republic, destroyed by General Francisco Franco in 1939 (Beramendi, 1999).

The Galicianist Party (*Partido Galeguista*), founded by IF nationalists under the leadership of Alfonso Rodríguez Castelao in 1931, had indeed drafted a Galician statute of autonomy. It was endorsed by the Galician people in a referendum on 28 June 1936 and submitted to the Spanish Parliament on 15 July 1936 to be ratified (Nolla, 1990). Just two days

after the submission, Spain witnessed another military coup, initiating a civil war that ended with Franco's complete and unconditional victory in April 1939. The 1936 Galician Statute of Autonomy was eventually ratified by the Republican Parliamentary Commission in exile in 1944, but the authority ruling Spain was not this commission at that time; rather, there was another dictatorial regime in Madrid after the civil war (Flitter, 2011).

2. GALICIA IN FRANCOIST SPAIN

Once in power, General Franco, himself a Galician from the town of Ferrol, reintroduced all former oppressive policies and created a centralised public sphere in which none of the minority nations – the Basques, Catalans and Galicians – was allowed to practice political autonomy (Beswick, 2007). Francoist Spain introduced linguistic unification with the ban on the use of languages other than Castilian in public (Diaz, 1979). The dictatorship outlawed both regional nationalist parties and those nation-wide parties who stood up for anarchism, communism, republicanism and socialism (Warf & Ferras, 2015). Moreover, leaders and members of such parties and those of all civil society organisations associated with the parties were jailed, executed or forced to emigrate to various north and south American states, including Argentina, Brazil and Venezuela (Van Atta, 2003).

All oppressive policies were used by the regional nationalist movements as political weapons against the dictatorship (O'Rourke, 2014). Galician diasporic communities, particularly that inhabiting

Buenos Aires, the capital of Argentina, enabled Galician nationalism to pursue its cultural campaign by encouraging the retention of ethno-cultural activities within their exiled communities (Nunez, 2002). The diasporic communities set up cultural societies such as the Argentinian Institute of Galician Culture (*Instituto Argentino de Cultura Gallega*) and the Society for the Support of Galician Culture in Mexico (*Patronato de Cultura Gallega de México*). Moreover, they broadcasted radio programmes in Galego and provided Galician pupils with language courses in their mother tongue. Additionally, the communities established publishing houses issuing various magazines in Galego, such as *Galiza Emigrante* and *Vieiros*. More importantly, the Citania Publisher, based in Buenos Aires, published the ground-breaking *Always in Galicia* (*Sepmre en Galiza*), written by Castelao, the leader of the outlawed Galicianist Party. This classic work was then regarded by the Galician nationalists as the unofficial bible of contemporary Galician nationalism (Beswick, 2007).

Whilst remaining an autocratic dictatorship that embraced a conservative ideology, Francoism experienced different stages since some of its policies were undoubtedly modified over time. These modifications were indeed a response to regional and international pressures. They were reinforced by technocratic influences upon the Francoist regime during the 1950s and 1960s, when the dictatorship displayed a small degree of permissiveness towards those ethno-cultural projects aimed at protecting and developing non-Castilian characteristics (Guibernau, 2000).

In 1950, a group of Galician intellectuals, centred around Ramón Piñeiro, established the publishing house Editorial Galaxia in Spain. The Galaxia sought to enhance the prestige of Galego and other Galician cultural identities. The works published by the Galaxia resulted in a new *pro-Galeguista* movement maintaining a sort of essentialist cultural doctrine. According to this doctrine, the cultural personality of Galicia could not survive without territorial autonomy (Nunez, 1997).

In the 1960s, the culture-centred defence of territorial autonomy for Galicia began to be politicised by a few nationalist groups emerging primarily out of the student left and the anti-Franco movement. These groups founded two clandestine political parties: the Galician Socialist Party (*Partido Socialista Galego*, PSG) and the Marxist-Leninist and Maoist Galician People's Union (*Unión do Pobo Galego*, UPG) in 1963 and 1964, respectively. The former asked for Galician autonomy in a democratic, federal Spain. The latter pursued a more radical programme asking Galicia to undergo a three-step constitutional operation: i) the completion of the socio-nationalist revolution that would establish an autonomous Galicia; ii) the finalisation of the socialist revolution that would shape Galician autonomy via socialist ideologies; and iii) the construction of the proletariat's dictatorship (Nunez, 1997).

In the late sixties and early seventies, these two political parties succeeded in garnering a significant number of activists who organised civil protests demanding language rights for Galicia. The Francoist regime responded to these protests violently, but it failed to quell them.

Instead, the more repressions the dictatorship imposed upon the activists, the more popular or radical the protests became. For instance, many labour and worker unions began to support the protests following the naval workers' demonstration against Francoist Spain on 10 March 1972 in Ferrol, where the police shot dead two protesters and wounded many others. More importantly, the repressions enabled the UPG to gather forces, particularly from the Vigo-based activists representing different action areas such as agrarian and student organisations. This resulted in the organisation of the first Galician nationalist armed struggle, the Military Front (*Frente Militar*). Similarly, the Communist Party of Galicia (*Partido Comunista de Galicia*, PCG) was established in 1968 as a branch of the Spanish Communist Party (*Partido Comunista de España*, PCE). It initiated another guerrilla warfare against the dictatorship with the creation of the Armed Front (*Frente Armado*) (Bergantinhos, 2014).

Galicia witnessed several violent incidents due to the oppressive Francoist policies and the paramilitary activities of the above terrorist organisations during the first half of the seventies. Negative political scenarios began to be removed from Galician and Spanish politics following the death of Franco on 20 November 1975. The Spanish transition to democracy began just after the death of the dictator (Guibernau, 2013).

3. GALICIAN AUTONOMY WITH THE 1978 CONSTITUTION

Franco announced Prince Juan Carlos, grandson of Alfonso XIII, as his successor in 1969. Having come to power as Head of State, King Juan Carlos appointed Arias Navarro as Prime Minister with the task of democratising Spain. On 25 January 1976, Navarro presented his reform package to the Spanish Parliament. The package contemplated the creation of a two-chamber parliament, the regulation of the rights of assembly, and the legalisation of political parties, except for the communists and separatists. Albeit all these proposals, the package did not mention a new electoral law, nor did it say anything about potential future elections. This resulted in the rise of an opposition bloc, known as the 'Democratic Coordination' (Anaya, 2002).

The opposition organised waves of demonstrations and strikes across Spanish borders with the goal of compelling the Prime Minister to come up with a bolder democratisation package. This circumstance motivated Navarro to amend his reform package. But the modified version, presented to the *Cortes* on 28 April 1976, was still refusing the possibility of opening a constituent process. In addition, it was still limiting its reforms to a bicameral system and ignoring the issue of a general amnesty for political prisoners and exiles. This led to the dismissal of Navarro from office by the King in July 1976, after he failed to obtain approval for his proposals (Anaya, 2002).

The King then appointed Adolfo Suárez as the new head of government. Having been sworn in as Prime Minister, Suárez drew up a strategy

using Francoist organs to bring about democracy. He opened a constituent process with the Law for Political Reform, which was approved by the Spanish public in the referendum held on 15 December 1976. The Law dissolved the Parliament and opened the way for a general election. From February to April 1977, the state-run unions were disestablished. Many political parties, including those constructed upon the ideologies of communism and regional nationalism, were legalised. The first democratic election was held on 22 June 1977, producing a bicameral democratic parliament, composed of the Congress of Deputies (*Congreso de los Diputados*) and the Senate (*Senado*) (Anaya, 2002).

During the electoral campaign, Prime Minister Suárez, leader of the Union of the Democratic Centre (*Unión de Centro Democrático*, UCD), declared his intention to draft a democratic constitution in alliance with all parties represented in Parliament. In parallel to this declaration, just after the election which recorded a UCD victory, an agreement was reached between the UCD government and the opposition. This resulted in the foundation of a constitution-building committee made up of seven members: three from the ruling UCD; one from the centre-left Spanish Socialist Workers' Party (*Partido Socialista Obrero Español*, PSOE); one from the neo-Francoist and centre-right Popular Alliance (*Alianza Popular*, AP); and one intended to represent the regional nationalist movements (Martinez-Herrera and Miley, 2010).

In resolving the question of the three nationalist regions – the Basque Country, Catalonia and Galicia – the committee proposed the entire

decentralisation of the Spanish State. This proposal was incorporated in the draft Spanish constitution. The ultimate draft expounded two distinct paths in order to exercise the right to self-government: the fast track and the slow track. The former intended to apply to the historic nationalities (the Basques, Catalans and Galicians), which held their referendums on self-rule during the Second Spanish Republic. The latter was the way the other regional communities were bound to follow. Having been approved by the Parliament on 31 October 1978, the constitution was backed by the Spanish electorate, 87 per cent of whom supported it in the referendum of 6 December 1978 (Martinez-Herrera & Miley, 2010).

In accordance with the Spanish Constitution of 1978 (SC), Spain is, what the Spanish Constitutional Court (*Tribunal Constitucional de España*, TCE) has defined, "*the State of the Autonomies*" (*Estado Autonómico*) (Rius-Ulldemolins & Zamorano, 2014: 167). This is a hybrid model of parliamentary monarchy that is neither a centralist nor a (con)federal, but a unitary and decentralised or quasi-federal state (Barcia, 2014). The territorial disposition of Spain consists of three levels of government pursuant to Article 137 of the Constitution: municipalities, provinces and Autonomous Communities (*Comunidades Autónomas*, ACs) (Moreno, 2007). The ACs are ruled by the Spanish Constitution and their individual statutes of autonomy that establish the basic institutional codes of these political entities. Each level of government may be entitled to exercise three sorts of powers according to Articles 148 and 149 of the Constitution, namely

exclusive, shared and concurrent. Matters such as international relations, defense, immigration and the control of exchange rates are exclusively reserved competences of the central state. Some other fields, e.g. a number of economic services and law enforcement, are shared by the central administration and the ACs. Finally, the ACs can develop their own policies in those areas in which governmental responsibilities are not conferred solely upon the centre, e.g. urban policies, health, education, culture and tourism (Nunez, 1999).

According to the Constitution, the three historic nationalities would follow the fast path to exercise political autonomy (Article 151). The other regions would establish their autonomous communities in line with the slow path procedure set out in Article 143 of the Constitution. Galicia, as a historic nationality of Spain, began to execute Article 151 of the Constitution with the establishment of an assembly of Galician politicians on 16 March 1978. The assembly was composed of sixteen political representatives with or without parliamentary representation – eight from the UCD; two from the PSOE; two from the AP; and one each from the PCG and other leftist and nationalist parties, including the newly-established Galician National-Popular Block (*Bloque Nacional-Popular Galego*, BNPG) (Martinez-Herrera & Miley, 2010).

Having worked on an act of autonomy for Galicia more than a year, in June 1979, the assembly submitted a draft Galician statute of autonomy to the Constitutional Committee. This altered some provisions of the draft statute on the grounds that they were inconsistent with the Spanish Constitution. The alteration was, in fact, not welcomed by leftist and

nationalist Galician parties. They regarded the draft statute as the UCD act unable to provide Galicia with a sort of political autonomy akin to that identified in the 1936 Galician Statute of Autonomy.[2] Nevertheless, the statute was endorsed by the Galicians in the referendum of 28 December 1980 (73 per cent in favour and 27 per cent against). The statute entered into force on 28 April 1981 after being ratified by the Spanish Parliament and signed by the King (Nunez, 1997).

The first Galician parliamentary election was held on 20 October 1981. It generated a multi-party parliament made up of six parties: the People's Alliance of Galicia (*Alianza Popular de Galicia*, APdeG) (26 seats); the UCD (24 seats); the Socialist Party of Galicia (*Partido dos Socialistas de Galicia*, PSdeG) (16 seats);[3] the leftist coalition BNPG-PSG (3 seats); the PCG (1 seat);[4] and finally the Galician Left (*Esquerda Galega*, EG) (1 seat). Following the election, the APdeG formed a minority government with the external UCD support, empowering the Autonomous Community of Galicia (*Comunidad Autónoma de Galicia*) to operate in a democratic way.

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[2] Unlike the new autonomy act, the 1936 Statute authorised Galicia to establish its own financial system enabling not only the management and control of taxes levied in Galicia but also the execution of the right to nationalise (Conversi, 2000).

[3] The PSdeG is a regional branch of the nation-wide PSOE. The two parties sustain a federal relationship and a single vote in the Spanish Parliament.

[4] There is a federal relationship between the PCG and the PCE. This relationship is similar to that existing between the PSdeG and the PSOE.

4. GALICIAN AUTONOMY UNDER EXAMINATION

The current self-government settlement for Galicia is regulated by the Spanish Constitution of 1978 and the 1981 Galician Statute of Autonomy. The Galician coalition government between the Galician Socialists (PSdeG) and the Galician Nationalist Bloc (*Bloque Nacionalista Galego*, BNG) attempted to adopt a new statute of autonomy after the 2005 Galician parliamentary election. However, the bipartite government failed to adopt such a statute as it could not achieve adequate cross-party support for the proposed statute. Hence, the 1981 Statute is still one of the two basic elements shaping the present self-rule arrangement for Galicia.

The autonomy settlement is secured through a constitutionally-entrenched protection mechanism. Article 2 of the Spanish Constitution provides all autonomous communities with a constitutional guarantee to secure their right of self-government. Accordingly, not only the central organs of the Spanish State – including the President of the Government, fifty Members of Congress and fifty Senators – but also the legislative and executive branches of every autonomous community are authorised to lodge an appeal of unconstitutionality against all legal provisions or resolutions violating their right of self-government (Article 162(1) SC). On those matters pertaining to conflicts of jurisdiction between the Spanish State and the Autonomous Communities, the above organs have the right of appeal to the TCE, which settles disputes over the exercise of power in a certain way (Article 161(1)(c) SC). TCE judgments on all appeals are legally

binding upon all persons and institutions after their publication in the Official State Gazette (*Boletín Oficial del Estado*, BOE). They are the final decisions against which no appeal may be brought (Article 164 SC).

Galicia is a non-sovereign asymmetric region of the quasi-federal Spanish State.[5] The Spanish Constitution does not vest special sovereignty status in any of the ACs. Instead, Articles 1(2) and 2 of the Constitution recognises sovereignty in a unitary manner. These provisions bestow sovereignty upon the Spanish people rather than peoples. This implies that the Constitution neglects the presence of more than one people in determining the owner of sovereignty. Accordingly, Article 8 of the Constitution imposes a duty on the Armed Forces to guarantee the unitary sovereignty of Spain.

The TCE has affirmed this constitutional interpretation in its recent Judgment 259/2015. In this ruling, the TCE declares the Catalan independence resolution unconstitutional and null on the grounds that it breaches Articles 1(2) and 2 of the Constitution by recognising the Catalan Parliament as sovereign entity. According to the TCE, national sovereignty is granted to the indissoluble and indivisible Spanish people in pursuit of these constitutional articles. Hence, no autonomous community can be vested with sovereignty individually.

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[5] By asymmetric, I mean that not all autonomous communities exercise the same powers. This implies that a legislative, executive or judicial power being exercised by some autonomous communities may not be exercised by the others.

Galicia is authorised by the Constitution and the Statute of Autonomy to exercise executive, legislative and judicial powers, enabling the Autonomous Community to take part in the construction and advancement of its public and private law spheres. The 75-member Galician Parliament (*Parlamento de Galicia*) enjoys full or partial legislative powers in those areas outlined in Article 148 of the Spanish Constitution and listed in Articles 27, 28 and 30-34 of the Autonomy Statute. The Galician Government (*Xunta de Galicia*) is a collective body made up of the President (*Presidente*), Vice President(s) (*Vicepresidente(s)*) and the Councillors (*Conselleiros*). It exercises executive powers to enforce both those acts adopted by the Galician Parliament and those primary laws introduced by the Spanish Parliament.[6]

Galicia has its own high court, the High Court of Justice for Galicia (*Tribunal Superior de Xustiza de Galicia*, TSXG). The TSXG enables Galicia to create its own judicial system made up of three types of courts: (i) Civil and Penal (*Sala do Civil e Penal*); (ii) Contentious-Administrative (*Sala do Contencioso-Administrativo*); and (iii) Social (*Sala do Social*). The TSXG must serve without prejudice to the jurisdiction of the Supreme Court of Spain (*Tribunal Supremo de España*, TSE).[7] The TSXG looks over Galician provincial courts settled

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[6] The detailed organisation of the *Xunta* and the personal status of its components are regulated by the Law on the Regulations of the *Xunta* and its Presidency (Galician Law 1/1983), a regional law adopted by the Galician Parliament.

[7] The TSE is the highest Spanish court for all matters (administrative proceedings, civil and criminal issues, labour law, military law, etc.), except for those pertaining to constitutional guarantees and rights that are monitored by the TCE.

in A Coruña, Lugo, Ourense and Pontevedra. It also regulates the functions of the judges sitting in these courts. As the head of the judicial power in Galicia, the TSXG is the court of last instance in the Autonomous Community. However, its decisions can be appealed to the TSE and/or the European Court of Justice.[8]

The self-government settlement does not grant Galicia the right to conclude international treaties (*ius contrahendi*). There are three main sorts of treaty-related powers, treaty-making, treaty-affecting and treaty-implementing. Regional governments are vested with treaty-making powers when they are authorised to negotiate, sign, ratify and conclude treaties. Regional governments bestowed with treaty-affecting powers cannot conclude treaties, but they are included in the negotiation of treaties. Treaty-implementing powers enable regional governments to incorporate treaties concluded by central governments into their autonomous legislation. This allows regional governments to prevent treaty obligations from entering into force in their domestic jurisdiction (Silverstrom, 2008).

According to the Spanish Constitution, the central legislative and executive organs have the *exclusive* authority to conclude international treaties enforceable throughout the entire Spain (Articles 93-96 SC). Hence, *ius contrahendi* is the responsibility of the central government in Spain (Skoutaris, 2012). This exclusive power of the Spanish State

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[8] For more details on the judicial powers of the Galician Autonomous Community, see Article 152(1) of the Spanish Constitution and Articles 20-26 of the Galician Statute of Autonomy.

does not prevent the ACs from exercising asymmetric treaty-affecting powers conferred upon the ACs by their individual statutes of autonomy. There are three main types of treaty-affecting powers for the ACs: 1) the right to be informed about international treaties that could have binding implications for the ACs; 2) the right to ask the central government to enter into treaty negotiations on matters having impact upon the interests of the ACs; and 3) the right to participate in treaty negotiations within the Spanish delegation on those matters touching upon the competences of the ACs (Aldecoa & Cornago, 2009).

The 1981 Statute of Autonomy authorises Galicia to exercise some treaty-affecting powers. The Statute permits the Autonomous Community to ask the Spanish central government to enter into treaty negotiations. It restricts the scope of the right by stipulating that the Autonomous Community can request the Spanish Government and Parliament to conclude treaties pertaining solely to overseas Galician migrant communities (Article 7), the Galician language and culture (Article 35(3)).

Galicia does not enjoy any equality status with sovereign states at the international political level. The current self-government arrangement does not grant the Autonomous Community any special equality status with sovereign states. Rather, it is acknowledged as an ordinary part of the sovereign Spanish State at the international political level. To put it differently, Galicia is not allowed to become a separate member of an international political organisation to which the Spanish State has already adhered (e.g. the European Union (EU) and the Council of

Europe); nor can it become a member of such organisations to which Spain has not adhered yet.

The present arrangement provides Galicia with some opportunities to represent itself at the international political level under the flag and authority of the Spanish State. Article 149(1)(3) of the Spanish Constitution attributes the responsibility for the domain of foreign relations exclusively to the Spanish State. Accordingly, the central state organs are authorised by the Constitution to shape the Spanish position in the fields of foreign policy (Article 97) and diplomacy (Article 63).

The exclusive power of the Spanish State was reminded by the TCE in the 1980s, when the Constitutional Court maintained a restrictive position concerning the ACs' involvement in foreign affairs (see Judgment 44/1982, Judgment 154/1985 and Judgement 137/1989). In Judgment 137/1989, the TCE acknowledged illegal a simple joint communication that had been signed by the Galician Ministry of Environmental Matters and the Danish General Directorate for Environmental Affairs. In its subsequent rulings, e.g. Judgment 17/1991, Judgment 80/1993 and Judgment 165/1994, the TCE changed its position and established the so-called 'Constitutional Framework' for the ACs' foreign relations (Aldecoa & Cornago, 2009). In Judgment 165/1994, the TCE rejected the Spanish Government's claim, considering the opening of the Basque Government Delegation in Brussels as an act in breach of the Spanish Constitution. It ruled that the ACs can develop their diverse international activities on matters which

lie within the scope of their powers enshrined in the statutes of autonomy.

In accordance with the Constitutional Framework, a Galician minister or official may be authorised by the Spanish Government to attend a regular EU meeting as a representative of the Spanish team should the meeting in question examine an issue affecting the powers of the Galician Autonomous Community. Similarly, the Galician Government may construct its own office in Brussels, but this office is not a separate Galician representation. Instead, it is part of the Spanish Permanent Representation in Brussels. The staff of this office are permanent Spanish civil servants who are issued with Spanish diplomatic passports. Therefore, all staff are subject to the authority of the Spanish Permanent Representation with regards to the usual matters of personal conduct. By the same token, Galicia may have its own representatives within the Committee of Regions and the Economic and Social Committee. Such representatives are appointed by the Spanish Government, but their status is the same as those of the Galician office in Brussels (Skoutaris, 2012). In a similar vein, Galicia may have its own parliamentarians in the European Parliament (EP), the directly elected parliament of the EU. All such parliamentarians are not those representing the Galician Autonomous Community. Rather, they occupy those EP seats reserved for the Spanish State. Finally, the Constitutional Framework permits Galicia and the other ACs to establish their own offices overseas within the context of their responsibility for devolved matters, empowering the ACs to present

themselves in the international arena. It is noteworthy that such offices form part of the Spanish Diplomatic and Consular Mission in lieu of constituting a separate Galician or any other AC mission (Aldecoa and Cornago, 2009). Hence, Galicia can represent itself at the international political level solely under the flag and authority of Spain.

Galicia has its own political culture based upon the ideology of Galicianisation (*Galleguización*) (Ibarra and Maiz, 2010). This is an ideology prioritising Galician interests in every aspect of politics. This domestic culture is welcomed by not only the socialist centre-left PSdeG and the pro-independence BNG, but it is also backed by the conservative centre-right APdeG and its successors, the People's Coalition of Galicia (*Coalición Popular de Galicia*, CPdeG) and the People's Party of Galicia (*Partido Popular de Galicia*, PPdeG) (Maiz, 2003).

The domestic culture establishes a political arena where Galician ethno-cultural identities can be maintained and developed through legal protection mechanisms. Article 6 of the 1981 Galician Statute of Autonomy recognises that Galicia has its own national anthem, coat of arms and flag. All details about these national symbols are listed in the Galician Law 5/1984, entitled "*Law on the Symbols of Galicia*" (*Lei de Símbolos de Galicia*). According to the Law, the national anthem of Galicia is 'The Pines' (*Os Pinos*). Its flag is white with a blue diagonal band crossing from the upper left to lower right. Its coat of arms is a golden chalice surrounded in a field of azure.

The domestic political culture allows Galego to be used officially (Maiz and Losada, 2000). Article 3 of the Spanish Constitution not only recognises Castilian as the official language of the Spanish State, it also paves the way for the official usage of languages other than Castilian. This constitutional provision stipulates that the ACs can adopt their own regional official languages via their statutes of autonomy. Article 5 of the Galician Statute of Autonomy recognises Galego as the language of Galicia. It also acknowledges Galego and Castilian as the official languages of the Autonomous Community. This statutory provision is further implemented by the Galician Law 3/1983, entitled "*Linguistic Normalisation Law of Galicia*" (*Lei de Normalización Lingüística de Galicia*). This Galician act guarantees the use of Galego in administrative sectors (Title II), education (Title III) and the media (Title IV).

The domestic political culture renders the official entities of the Autonomous Community the chief players of Galician politics that make decisions on the allocation of public resources and their impacts upon social infrastructures (Pallares, 1998). The regional institutions articulate and organise Galician economic and social interests at the national (Spanish) and European levels (Losada & Maiz, 2005). Such institutions implement a wide range of both conventional and innovative policies in the fields of fishery, transport, communications, education and health. These fields bring Galicia a significant level of socio-economic development (Losada, 1999).

Contemporary Galician politics has been dominated by three main political parties, the conservative centre-right PPdeG (formerly APdeG and CPdeG), the socialist centre-left PSdeG and the pro-independence BNG. The PPdeG stands up for unionism with a conservative approach maintaining that the Spanish State should remain in its existing quasi-federal structure. Like the Galician Conservatives, the PSdeG supports unionism, but with a different perspective. According to the Galician Socialists, Spain ought to be reorganised as a federal state where the regional governments exercise their legislative, executive and judicial powers without being subordinated to their central counterpart (Ibarra & Maiz, 2010).

The BNG ideology has been dramatically modified since the foundation of the Autonomous Community. The Galician Nationalists stood up for an outright independent Galicia in the early 1980s, when the BNG party programme was built on radical Marxist-Leninist values. The BNG changed its party programme in the following years as a corollary of its failures in the regional elections (Elias, 2009). It established a moderate social-democratic path toward Galician independence. The new BNG discourse is not inclined to use any radical Marxist-Leninist rhetoric. Instead, it replaces the terminologies of colonialism and exploitation with those softer notions of socialist democracy such as Galicia's marginalisation and peripheralisation within the Spanish State. According to this new discourse, Galicia does not need to construct an outright independent country in order to rehabilitate such marginalisation. Rather, a sovereign Galicia taking its shape in a pluri-

national Spain, an Iberian Confederation or a Europe of the Peoples is enough to provide Galicia what it desires. Hence, confederalisation enabling Galicia to be recognised as a sovereign entity is recognised as an alternative to outright Galician independence, according to the new BNG discourse (Ibarra & Maiz, 2010).

Various political forces, including *Encontro Irmandiño*, *Espazo Ecosocialista Galego*, *Máis Galiza* and *Movemento pola Base*, split from the BNG in the early 2010s, when the Party moderated its discourse and suffered from electoral failures. These forces attempted to form a new Galician nationalist party alternative to the BNG. All attempts did not result in a sole party embracing all the forces. Instead, two main coalition groups emerged (Warf & Ferras, 2015). The first is the moderate nationalist Commitment to Galicia (*Compromiso por Galicia*, CxG), a social-democratic party standing up for a multinational, federal and republican Spain. The second is the radical nationalist Anova-Nationalist Brotherhood (*Anova-Irmandade Nacionalista,* ANOVA), a socialist party advocating outright Galician independence with an anti-capitalist, ecologist and feminist political agenda (Bergantinhos, 2014).

The CxG did not achieve any successes in the 2012 Galician parliamentary election. The ANOVA gained four parliamentary seats in the same election. The ANOVA formed a pre-election coalition with the United Left of Galicia (*Esquerda Unida de Galicia*, EUdeG) under the name of the Galician Alternative of the Left (*Alternativa Galega de*

Esquerda, AGE).[9] It was a coalition encompassing both pro-independence and federalist blocs.[10] As a result of the election, the AGE obtained nine seats in the Galician Parliament: five deputies representing the EUdeG; and the other four ANOVA representatives. In the last parliamentary election, held on 25 September 2016, the ANOVA joined another pre-election coalition, *En Marea*. This was made up of Podemos, EUdeG and several municipal alliances, e.g. *Compostela Aberta*, *Marea Atlántica* and *Ferrol en Común*. In the election, the coalition won 14 parliamentary seats in total, one of whom – Antón Sánchez García – is the sole ANOVA deputy in Parliament.

The Galician Parliament has been dominated by the unionists, namely the PPdeG (formerly APdeG and CPdeG) and the PSdeG. The former became the first party in all elections held since the establishment of the Galician Autonomous Community. The latter came second in all elections, except for the first and fifth Galician parliamentary elections. The separatists won their highest number in the 1997 election with eighteen deputies, amounting to about 25 per cent of the total number (see Table 1 and Chart 1).

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[9] The EUdeG is a sister party of the United Left (*Izquierda Unida*), a Spanish political coalition bringing together various left-wing political parties, including the Communist Party of Spain (*Partido Comunista de España*), the Open Left (*Izquierda Abierta*), the Republican Left (*Izquierda Republicana*), the Revolutionary Workers' Party (*Partido Obrero Revolucionario*) and the Feminist Party of Spain (*Partido Feminista de España*).

[10] The coalition was also backed by the green parties, namely the EQUO Galicia and the Galician Ecosocialist Space (*Espazo Ecosocialista Galego*).

Table 1: Members of Galician Parliament (1981-present)

Elections	AP/CP/PPdeG	PSdeG	BNG	Others	Total
1981	26	16	0	29[a]	71
1985	34	22	1	14[b]	71
1989	38	28	5	4[c]	75
1993	43	19	13	0	75
1997	42	15[d]	18	0	75
2001	41	17	17	0	75
2005	37	25	13	0	75
2009	38	25	12	0	75
2012	41	18	7	9[e]	75
2016	41	14	6	14[f]	75

Notes:

a. The other seats were won by the following parties: the UCD (24), the pro-independence coalition of the BNPG-PSG (3), the EG (1) and the PCG (1).

b. The Galician Coalition (*Coalición Galega*, CG) (11) and the coalition of the PSG-EG (3) gained the remaining seats.

c. The last seats were obtained by the coalition of the PSG-EG (2) and the CG (2).

d. The PSdeG secured 15 seats through the electoral alliance made among the Socialists, the EG and the Galician Greens (*Os Verdes*).

e. The AGE won the last nine parliamentary seats.

f. The last fourteen seats were won by *En Marea*, a coalition composed of Podemos, ANOVA and United Left of Galicia, as well as various municipal alliances.
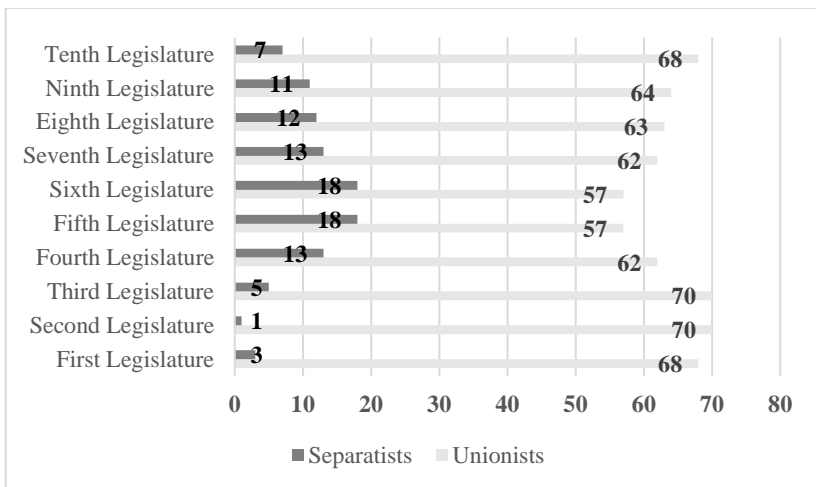

Chart 1: Unionists vs Separatists in Galician Parliament (1981-present)

In parallel to the unionist feature of the Galician Parliament, no secessionist cabinet has taken up the reins of government in the Autonomous Community. During the period of the first legislature (1981-1985), the APdeG, the first predecessor of the PPdeG, formed a minority government with the external UCD support. The second legislature (1985-1989) witnessed the formation of two governments: one is the minority CPdeG government (the second predecessor of the PPdeG), which ruled the region from November 1985 to November 1987; and the other is the PSdeG-led tripartite coalition government with the moderate nationalist CG and BNG, which governed the Autonomous Community from November 1987 to December 1989 (Fernandez and Pena, 2004). Despite involving the nationalist parties, the tripartite government did not rule the region with a political programme aimed at Galician independence. Instead, it attempted to establish a leftist position canonising equality and social democracy, the value of which were underpinned during the Galician workers' strikes of 1986 (Losada, 1999).

The period from 1989 to 2005 recorded the absolute victories of the PPdeG, who ruled the region with the majority governments led by Manuel Fraga. The unionist character of the Galician Executive pursued with the PSdeG-led coalition government with the nationalist BNG during the seventh legislature (2005-2009). Similar to the tripartite government of the late 1980s, this coalition government did not govern the Autonomous Community with a political agenda seeking to establish an independent Galicia (Pallares, Lugo & Munoz, 2006). The

socialist-national coalition entered into government through a deal in which the BNG did not stand up for its moderate path toward independence (Galicia within a confederal state structure). Instead, the deal emphasised that the coalition government would intend to adopt a new statute of autonomy constructed upon federalism in lieu of confederalism. Having failed to convince the PPdeG to approve its draft statute recognising Galicia as a nation, the coalition government could not adopt a federalist act of autonomy (Maiz & Losada, 2011).

After experiencing the socialist-national coalition, the administration of Galicia returned to the hands of the PPdeG. In the 2009 Galician parliamentary election, the Galician Conservatives obtained an absolute majority in Parliament. In the following election, the PPdeG reiterated its success and continued governing the region with a unionist party programme. The last parliamentary election also recorded another landslide PPdeG victory, enabling the Galician Conservatives to form the current unionist cabinet.

As a natural consequence of the unionist characteristic of the Galician Parliament, the position of Presidency has been occupied by unionist leaders since the construction of the Autonomous Community. To put it differently, no separatist leader has been sworn in as President of Galicia so far. During the transition period from 1977 to 1981, the position of Presidency was occupied by two UCD deputies in the Spanish Parliament. The Galician Parliament elected five Presidents supporting the protection of Galicia's constitutional ties with the Spanish State (see Table 2).

Table 2: Galician Presidents (1979-present)

President	Party	Ruling Period	Unionist vs Separatist
Antonio Rosón Pérez	UCD	1977-1979	Unionist
José Quiroga Suárez	UCD	1979-1981	Unionist
Xerardo Fernández Albor	APdeG/ CPdeG	1981-1987	Unionist
Fernando González Laxe	PSdeG	1987-1989	Unionist
Manuel Fraga Iribarne	PPdeG	1989-2005	Unionist
Emilio Pérez Touriño	PSdeG	2005-2009	Unionist
Alberto Núñez Feijóo	PPdeG	2009-present	Unionist

CONCLUSION

As an interdisciplinary study employing the methods of general public law and constitutional politics, this article has sought to analyse the constitutional culture of the Galician Autonomous Community. Having suffered from various assimilation policies implemented by the Spanish State, Galicia has been able to form and advance its own constitutional culture through its autonomous community. The Spanish Constitution

of 1978 and the 1981 Galician Statute of Autonomy are the cornerstones of the self-government settlement for Galicia.

Galicia is a non-sovereign asymmetric region of the Spanish State in accordance with its self-rule arrangement. It is authorised to exercise executive, legislative and judicial self-governing powers. The arrangement does not empower the Autonomous Community to exercise treaty-making powers that could have enabled the Celtic-origin community to become a sovereign subject of international law. Nonetheless, Galicia can ask the Spanish State to enter into treaty negotiations and conclude treaties regarding overseas Galician migrant communities, the Galician language and culture. The Autonomous Community does not enjoy any equality status with sovereign states at the international political level. Rather, Galicia can represent itself at the international political level under the flag and authority of the Spanish State.

Contemporary Galician politics has been dominated by the unionist political parties seeking to maintain Galicia's constitutional ties with Spain, namely the conservative centre-right PPdeG and the socialist centre-left PSdeG. The Galician Parliament has always been dominated by these two parties. The Galician secessionists, e.g. the BNG and the ANOVA, have remained in a minority position in Parliament. Similarly, the Galician Executive has been controlled by the unionists. None of the eleven Galician Governments has governed the Celtic-origin region with a political programme seeking to establish an independent Galicia. Instead, all Governments have backed the

maintenance and continuation of Galicia's constitutional ties with the quasi-federal Spanish State. This standpoint has been the position of all Galician Presidents as well. All of the seven Galician Presidents have pursued unionist political agendas.

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CHAPTER 2

UNIVERSITIES IN THE CONTEXT OF ITS RELATIONSHIP WITH THE CITY[*]

Res. Asst. Dr. Zafer KUYRUKÇU[1]
Prof. Dr. Ahmet ALKAN[2]

[1] Konya Technical University, Faculty of Architecture and Design, Department of Architecture, Konya, Turkey. E-mail: zkuyrukcu@ktun.edu.tr
[2] Konya Technical University, Faculty of Architecture and Design, Department of Architecture, Konya, Turkey.

INTRODUCTION

The university has emerged in medieval Europe, which is the most fundamental element of a country's higher education system. Various political, religious, social and economic factors began in the late 11th and early 12th centuries, especially in the urbanized regions of Western Europe, Italy, France and Britain. The institutional structure of the university has begun to develop in its environment (Gürüz, 2003). Since the initial stages of the university, there has been a strong relationship with the city where it was founded. In fact, Bologna and Paris, the two oldest universities in Europe, formed relatively early institutional zones in the urban fabric. Oxford, the third oldest university in the world, followed an urban model similar to Bologna and Paris. However, as the University of Oxford grew, it dominated the city more than the universities in Bologna and Paris (Baird, 2012). Today, some medieval universities, especially the universities in the United Kingdom, retain many of their original features. Established in cities or small towns, universities shape their surroundings and form one of the most important aspects of the city on their own (Merlin, 2006).

In fact, it is possible to find a different answer for each city (and university) to the question of how a higher education institution develops in relation with the city where it is founded and what changes there; there are different historical, geographical, cultural, social and institutional structures. But there are more concrete factors that determine the relationship. The first concern was the location of

the university in relation distance to the city; that is, whether it is inside or outside the city and how it is planned. The fact that the university is within the city's borders, that is an urban university, naturally facilitates the birth of a multi-dimensional relationship between the university and the city, but does not make it absolute. Although it is located within the city, there are universities that close their doors to the outside world, but there are universities that have not lost their institutional integrity (Oktay, 2007).

The aim of this study is to determine how many different forms of university settlement occur in the context of the relationship with the city. In this sense, the physical structures of the universities according to city have been tried to be explained by examples.

1. DIVERSIFICATION OF UNIVERSITIES IN THE CONTEXT OF ITS RELATIONSHIP WITH THE CITY

In the phase of historical development, universities demonstrate two different forms of settlement in the sense of relations with the city in general. The first is '**urban universities**' and the second is '**extra-urban campus universities**'. Urban universities are of European origin and are known to be the origins of the university. All the first universities are named after the city where they were founded and are located in the center of the city. The university campus, which appears as an autonomous settlement outside the city, is of American origin and is formed as a kind of extension of the city, capable of performing all functions in the city (Günal, 2013). There are physical and

structural factors that differentiate between urban universities and extra-urban campus universities that are not especially different in terms of their function (Türeyen, 2002).

1.1. Urban Universities

Today, universities that have emerged as an urban institution in medieval Europe continue to qualify, especially in Continental Europe. Usually, university buildings within the city are no different from other public buildings. Specific buildings, located at distances where transport could be made on foot, did not have strong communication drawbacks but also made positive contributions to the city. The use by the residents of the city of the facilities belonging to the university and the university could benefit from the facilities of the city has formed a natural and close connection between the two. The universities that grew in cities such as Oxford, Cambridge, Tubingen, Jena and Harvard have transformed them into "**a university city**" (Sönmezler, 2003).

Historically an integral part of the city and for a long time, universities that have been integrated in the center of the city and have been operating within a main structure and diversification in science/department branches over time and the need for expansion for reasons such as the increase in the number of students. Nevertheless, due to the increase in the population of the city, the implementation of new usable facilities and areas and the increase in the cost of land in the center the prospect of expansion as a space in the university has

been shown to be lost. As a short-term solution to this problem, different units of the same university had to choose locations in different parts of the city, mostly public spaces and land. All of this mobility and view of the university, formed on the scale of the building island or in the form of a settlement by designing new buildings in the city or by transforming existing structures, corresponds to the idea of "city university" (Çağlayandereli & Güleş, 2013).

In this context, **the physical structures of universities within the city** are divided into three concepts:

- Universities that develop in organic urban fabric
- Universities that develop in building blocks
- Urban campus universities

The universities that develop in organic urban fabric and develop in building blocks and have many common points in the city. These universities have been integrated into the city and/or intertwined with the city. The boundaries between the university-city are not clearly perceived or defined. Urban campus universities use areas within the city texture and are perceived as a separate settlement with borders.

1.1.1. Universities That Develop in Organic Urban Fabric

Oxford was selected as an example for universities developing organic urban fabric. Oxford is chosen because it continues to represent medieval university-city interactions with courtyard college structures as one of the world's top seven universities still in operation.

- **Oxford University**

The organic urban tissue, which is financially independent and autonomous, but consists of 38 Oxford colleges connected to the central university in a kind of federal system, constitutes the University of Oxford. College buildings are scattered throughout the city, but they have not lost their integrity with the system of courtyards with pedestrian connections.

Upon the fact that Henry II of England banned British from studying in Paris, teachers and students who emigrated from Paris to Oxford in 1167 in the town of Oxford (a small the cathedral town of Oxford, housed royal and religious courts), is located along the main street called High Street. The university's main area of activity within the city has developed in and its immediate surroundings of St. Mary's Church on this street. Lenglart and Vince (1992) explain the formation of expanding colleges in the city's continuity:

"It is understood that these institutions, which are the descendants of medieval monasteries, are arranged according to the typology of the "quadrangle" (central courtyard plan scheme) derived from monastic architecture. This structure, consisting of classrooms, libraries, teacher and student accommodation, dining rooms and halls, is arranged to enclose a central courtyard (Figure 1). The central courtyard, closed to the street, at times, serves as a defense against the city's population or some attacks and protects the university community from the dangers

of urban life." At the same time, the courtyard doors facilitated control and order of entry and exits to the college. The geometric formation of colleges facilitated their placement in urban areas and increased land values (Campos, 2002). The urban pattern that these central courtyard colleges spread over the city over time has made Oxford a 'university city' (Figure 2).
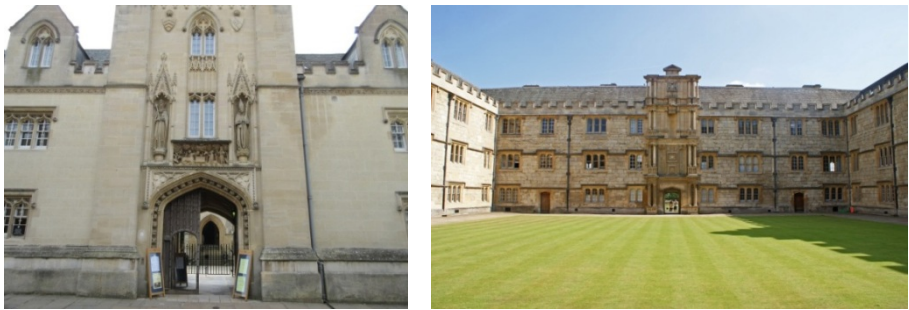

Figure 1: Merton College (Anonymous, 2019)
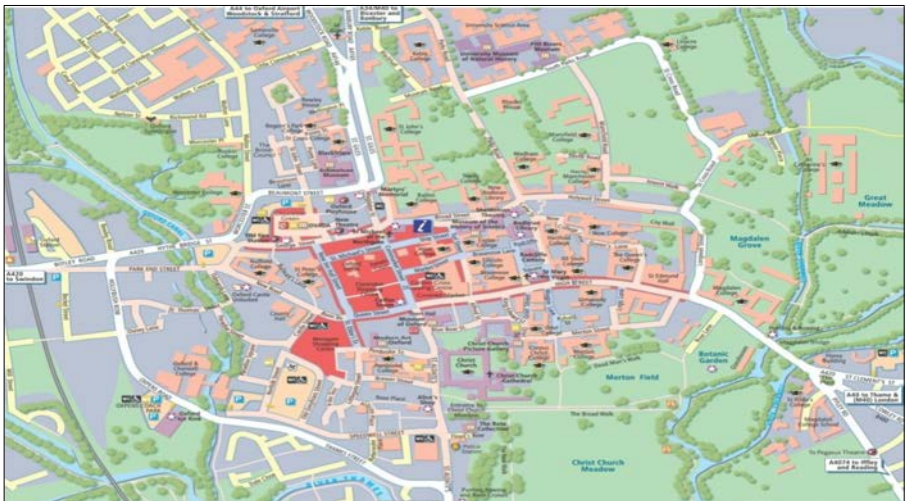
Figure 2: The University of Oxford, which dispersed in many parts of the city (Anonymous, 2020)

1.1.2. Universities That Develop in Building Blocks

Harvard was chosen as an example of the universities that developed in the building blocks. The reason Harvard University was elected is that it is spread across almost every part of the city, keeping pace with the city's growth and development.

- **Harvard University**

The first American colleges emerged as a religious identity in American colonies in the eastern states such as *Massachusetts, New Jersey and New York, Harvard, William & Mary, Yale, Princeton, Columbia, Brown, Darmouth, Rutgers, and Pennsylvania* colleges were established during the colonial period, which refers to the period from the end of the 16th century when European settlers first settled in the colonies until the American Revolution (1775-1783), when the United States gained its independence. The primary purpose of the colonial colleges established by the devout Puritans (i.e. Presbyterians and Congregationalists) who settled in the East Side of the United States, primarily in the Massachusetts Bay Colony, did not generally take the official view of religion in England and avoided the pressure of that official view to train clergy (Gür, 2016).

Harvard University, the first higher education institution in the United States, established in 1636, just after the Massachusetts Bay Colony was founded (1630). In 1638, it was located on 4,000 m^2 of land in Newtown (Cambridge), a village on the Charles River, four miles from Boston. The puritan immigrants who founded Harvard have

expressed their intention "to overcome ignorance by improving education and improving prosperity" (Gürüz, 2016). Harvard, which over time adds adjacent plots to its own land and, as it expands, operates by dispersing other parts of the city, is essentially an urban university (Figure 3). The community that grew with Harvard was organized around the university. The transformation of the city has kept pace with the development of the university.

Figure 3: The University of Harvard, Which Dispersed in Many Parts of the Cambridge and Boston city's (Harvard Planning Office, 2018)

1.1.3. Urban Campus Universities

The Massachusetts Institute of Technology (MIT) has been named as an example for urban campus universities. MIT was elected because it created a new triangulation point in an evolving and growing city and developed it in a restricted urban area.

- **Massachusetts Institute of Technology (MIT)**

Founded in 1861 in response to the growing industrialization of the United States, MIT adopted the German Research University Model. The first MIT building began training in a leased building in downtown Boston in 1865. It was completed in 1866 in Boston's Back Bay. MIT was known as 'Boston Tech' until 1916, when it moved to its new site on the Cambridge side of the Charles River. First installed along the Charles River on an area of 200,000 m^2, MIT now has a campus area of 680.000 m^2.

Located close to Boston Logan International Airport, the campus benefits from Boston's public transport system (Figure 4). The nearest metro station is Kendall Square, which serves as a commercial hub for MIT and locals. The campus is roughly split from 77 Massachusetts Boulevard. Most dormitories and student living units are located in the west, most academic units are located in the east (Figure 5). The heart of the campus consists of a group of interconnected buildings designed by W. Welles Bosworth to facilitate interaction and communication between faculty and departments. W. Welles

Bosworth rejected the American tradition at Harvard, consisting of separate buildings, in favor of a majestic and large structure. This monumental building embraces a large courtyard that extends from the central dome and leads to the river.

The main entrance to the campus was considered to be the Rogers building of this complex building overlooking 77 Massachusetts Boulevard. It also provides the main pedestrian road connection between the west and the eastern campus. High-tech companies are concentrated in the immediate vicinity of MIT, where there are socio-economically diverse residents of settlements as well as modern offices and industrial buildings. A number of research institutes and companies, such as the Whitehead Biomedical Research Institute and Novartis, have exploited MIT's potential and extensive resources to attract talent worldwide. MIT actively supports this type of development, although no corporation is directly involved in the campus settlement, as this would jeopardize MIT's tax-free status.
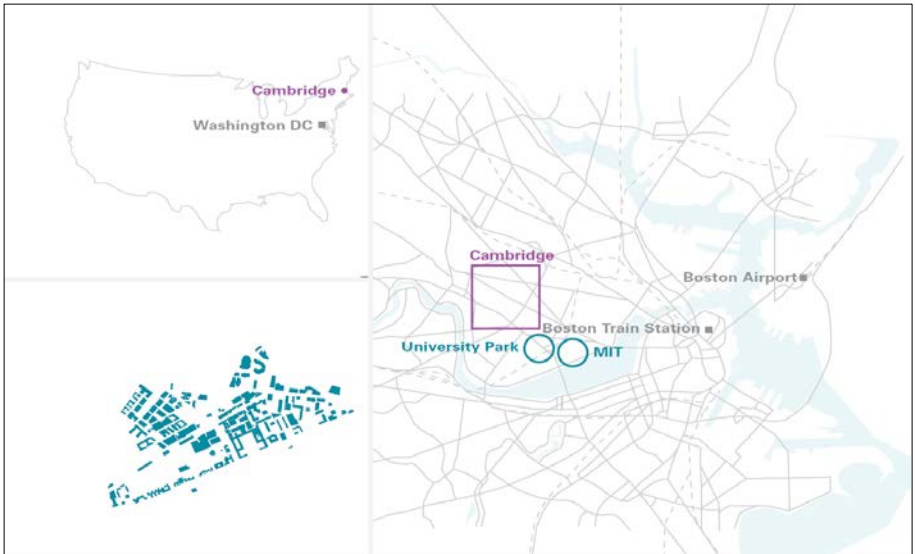
Figure 4: **Urban location of MIT (Hoeger, 2007)**

Building uses:
- University or corporate buildings
- Shared services and amenities such as shops, cafés, hotels, leisure, sports and congress facilities
- Start-ups, spin-offs, companies and private research institutions
- Housing

Figure 5: MIT (eastern and western campus), Which Now Spans An Area of 680,000 m² (Hoeger, 2007)

1.2. Extra-urban Campus Universities

The university was first taken out of the city in the United States. Although it is a Latin term, **the campus** reflects a new American educational concept. **The term campus was originally first used for the University of Princeton** (Figure 6), **which was founded in 1746**, in a large park, outside the city (Turner, 1984). While today the term campus is often associated with out-of-town (green areas) or urban areas, this statement does not always apply. The word campus is also used to indicate where university activities are taking place (den Heijer & Magdaniel, 2018).
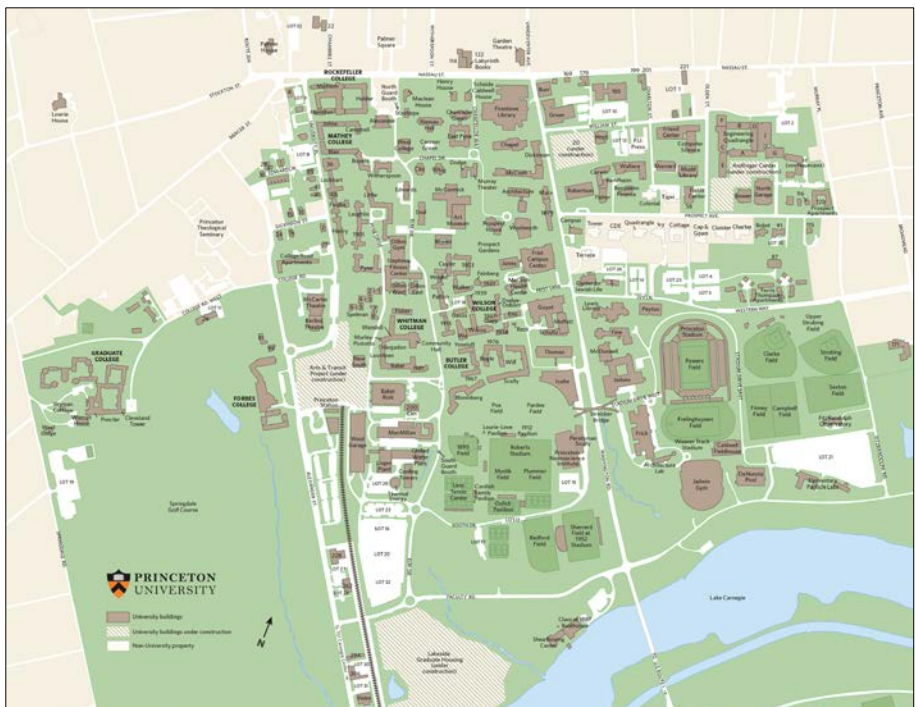
Figure 6: Princeton University Campus (Anonymous, 2017)

The model that inspires American universities of the time is the British Colleges that create an in-house community with their buildings and green spaces and have a combination of education, teaching and accommodation (particularly Oxford and Cambridge). The first university campuses were established after the American Revolutionary War, when it became clear that the nation would not be governed by colonial colleges. The American extra-urban tradition has embraced this preference for rural areas. It is believed that this will have beneficial effects by interaction with nature, as well as prevent the harmful effects of misunderstanding and debauchery found in cities. By the Morrill Act of 1862 providing federal land outside city centers for the establishment of public universities and colleges, campus settlement became a dominant model for American universities has come. University planning was settled in the hands of F. L. Olmsted (1822-1903), who assumed responsibility for about twenty or more projects. The dominant idea of time is based on the fact that the university is building its own city (Merlin, 2006).

The first U.S. campus plan was made in 1813 by the French Joseph-Jacques Ramée (Figure 7) for Union College (Schenectady, New York). Ramée has formed a large central courtyard that opens to the west, surrounded by buildings on three sides. In the center of the courtyard is a circular building (Nott Memorial), which is the symbol of the college. Union College occupies an area of approximately 500,000 m^2 of land in the city center of Schenectady. This plan is followed by the University of Virginia (Charlottesville, Virginia),

designed by Thomas Jefferson in 1817 (Dober, 1996). Jefferson described his goal as creating an academic village (Figure 8). Especially for many reasons such as fire, health, economy, peace and silence, this village form was preferred instead of a single large building (Miller, 2010).

Figure 7: Union College Settlement Plan (Anonymous, 2013)

Figure 8: Aerial Photography of the University of Virginia (Campos & Wilson, 2019)

The American campus concept was introduced to Europe after the World War II. Many Western European countries gone through a period of rapid growth in student recruitment in the 1960s. For France alone, the number of university centers increased five times from 1954 to 74. Rapid expansion made it necessary to obtain only the plots located on the outskirts of the city in order to establish the needed scientific parts. Therefore, the idea of campus has started to be synonymous with out-of-town land, which has enabled buildings to spread and grow.

The reasons that led to the preference of extra-urban campuses in the 1960s are listed as follows:

- The need to establish scientific laboratories that require a lot of space.
- The increasing number of students can not be met with several buildings located in the city center or to be built.
- The availability of suburban plots, which in case of urgent need, can be purchased quickly and much cheaper than acquiring a similar land in the city center.
- Possibility to assemble all buildings on a large terrain outside the city and in an area that is not in demand from the city.
- Possibility of untouched land and region that will allow the university to come up with a rational plan (The surroundings of the university can be planned in an urban arrangement according to the needs of the university. This untouched environment will

also be able to provide a higher level of quality than anything that can be realized in the city center).

- A semi-rural environment is more conducive than the noisy/crowded busy city center in order to provide better working conditions.
- The problem of transportation outside the city will be solved greatly, especially by car (Merlin, 2006).

The arguments for those who oppose extra-urban campuses are:

- Universities have opportunity to access of many abandoned buildings located in the city centre.
- In general terms, campus integrity/unity is a myth. Because the relationships between the units of a university are often inconsistent, incompatible, and bringing them together on a single campus is not going to change that fact.
- Students will be closer to cultural facilities such as public libraries, working conditions will be more appropriate in the city center.
- The surrounding area of the historic city center is more pleasant and prestigious than semi-rural and deserted areas.
- The more urban context the university is, the greater the impact on the environment will be (Merlin, 2006).

However, views in favor of the university's disengagement from the city have gained importance and emerged as an independent settling model in America, the university campus immediately after World

War II immediately adopted as an ideal planning tool in all countries of the world (Sönmezler, 2003).

CONCLUSION

The University, which originated as an urban institution in medieval Europe, has undergone continuous evolution through its structure, which constantly regenerates itself, leads or adapts to social changes and transitions in the historical process. Historically an integral part of the city and has been involved in the city center for a long time, universities have moved away from the city over time. It has now been established that the growth of universities is taking place in two ways in the context of its relationship with the city due to the influence of the American campus model. First of all, whether it's a group of scattered structures within the city or as urban campuses, **urban universities** are increasingly integrating with the city, moreover, the internal organization of the city formatting has become a planning tool. Secondly, as an independent settlement model, **extra-urban campuses** have acquired urban qualities with its new functions and a progressively expanding and changing structure.

As a result of the growth and development of higher education, the establishment of an extra-urban university campus has been facilitated. It is also seen that the campus model is preferred when it comes to expanding the existing universities. However, it can be said that extra-urban university campuses have a serious disadvantage, based on the fact that universities exist for society and cannot be

isolated from society. It should not be forgotten that this situation, which actually seems to be a disadvantage, can be a conscious choice.

As a result, in order to establish a healthy communication between the university and the city, first of all, the university needs to be accessible to the urban and the city needs to be accessible to the university.

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CHAPTER 3

CHANGING ROLES OF BILLS OF MATERIALS WITH DEVELOPING TECHNOLOGY IN BUSINESS FUNCTIONS

Assist. Prof. Çağla EDİZ [1,2]

[1] Sakarya University, Sakarya Business School, Department of Management Information Systems, Sakarya, Turkey cediz@sakarya.edu.tr
[2] Publication from my doctoral thesis

INTRODUCTION

The most important assets of companies are their products. To systematize product information in the production process, bills of materials (BOM) are used. Therefore, each business function interacts with BOM. Technological developments such as the spread of web-based applications, introduction of 3D printers, developments in supply chain logistics, increased storage capacity and data transfer speeds changed the product data usage methods of business functions.

In this study, the methods of using product data, whose function expands in parallel with technological developments, are examined by classifying them on the basis of business functions and exemplifying from the literature. Thus, it has been studied with which components the product data can be integrated.

The product trees that present the product data visually are the lists in which all the components in the product are hierarchically shaped according to the manufacturing and montage processes. (Tanyas & Baskak, 2003; Kashkoush & ElMaraghy, 2014). BOM, which is frequently used in the same sense with the product tree, is a technical document that describes the product tree and establishes the relationship among the finished product, components and materials and includes their features (Guoli et al., 2003). Product trees are shown as two-dimensional trees, but these materials are linked to many features in the databases, such as number of materials, unit, weight.
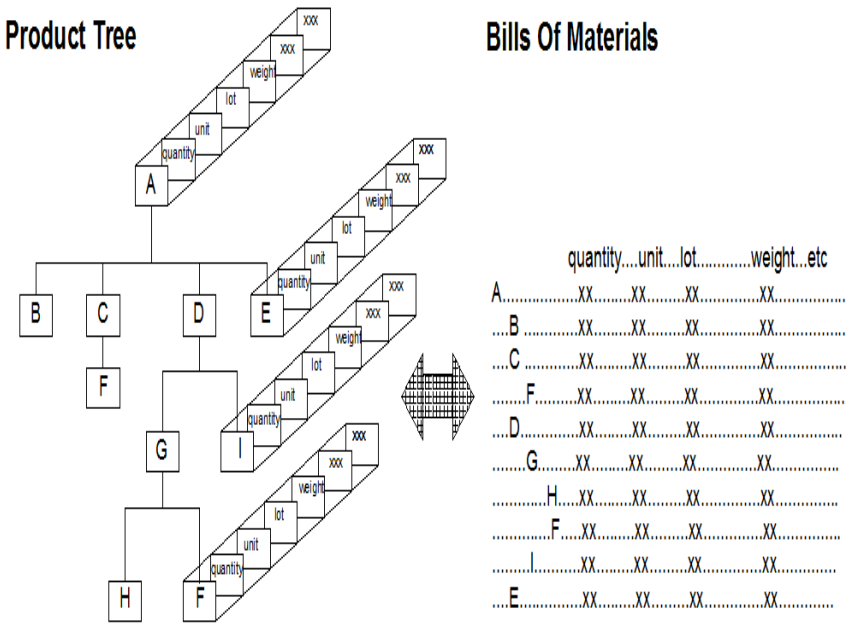
Figure 1: Product Tree and Bills of Materials

In the past, a separate BOM was created for each function of the business, which caused great difficulties in management. Watts (2012: 108) states in his book that the BOM structures used for the same product are multiple and it is common for engineering BOMs to differ from production BOMs. The author sees multiplicity of BOMs as the main reason for the occurrence of BOM errors. In order to reduce BOM errors to a large extent, BOMs that will meet different needs must be created through a single BOM via software (Watts, 2012). Another problem with the bills of materials was due to the limited technological infrastructure opportunities in the past. For example, Goldratt, (Goldratt 1988), stated that since there was not enough hard

disk space, bills of materials needed for material requirements planning and material route flows created separately in the past. Goldratt states that this distinction continued even after computers with suitable disk space appeared due to the fact that the investments were made in this direction in the past (Goldratt, 1988; Tatsiopoulos, 1996).

Technological developments and increasing experiences in product development have affected the expectations of the business functions from BOMs and the methods of using BOMs. The shaping of the product data to be produced in each department in the company creates an input for the next department and the shaping of the product material lists continues in a chain among the business functions. In this study, the use of BOM has been examined on the basis of business functions in parallel with technological developments.

TRANSFORMATION OF BOM	VIRTUAL REALITY	AUGMENTED REALITY	3D PRINTERS	WEB2	WEB3	CAD CAM	RFID	IMAGE PROCESSING	MACHINE LEARNING	EMBEDDED SYSTEMS
↓ R & D	√	√	√	√	√	√		√	√	
↓ MARKETING	√	√		√	√			√	√	
↓ PLANNING				√						
↓ PURCHASING				√			√			
↓ PRODUCTION			√			√	√			√
↓ QUALITY CONTROL				√	√		√	√	√	√
↓ LOGISTICS				√			√			√
↓ SELLING				√			√		√	√
↓ MAINTENANCE			√	√	√	√	√		√	√

Table 1: BOM Formation Process with Technology Uses in Business Functions

1. R&D & MARKETING

In the production systems, the paradigm changes have changed the product development processes and therefore BOMs are also affected by these paradigms. It is accepted that the first paradigm experienced in production systems started with the development of the mass production structure by FW Taylor (1911) and Henry Ford (1913) (Duguay et al, 1997). High production speeds have been achieved with the installation of montage lines for mass production in factories.

Later, the production flow times of the products were aimed to be reduced by considering both the inside and outside of the factory in the product supply chain. These studies under the name of lean manufacturing systems led to a second paradigm in production systems (Hu, 2013). Until this stage, BOM has preserved its traditional structure and there was no need to diversify the products. After the 1980s, a third paradigm was experienced with the production of customer-oriented production. With this paradigm, generic product trees were presented to customers, so that they could prepare their own products within certain constraints. Generic product trees are created as follows (O'Donnell et al., 1996):

1) The product family classification tree is created. At this stage, product classes are created.

2) Tree diagrams belonging to the sub parts of the product classifications are created. In addition, logical relationships are established between the sub-components.

3) Matrices are created from the main assembly groups which have the components that perform the same functions in the same level.

4) Generic product tree is obtained by revealing the structure that covers all products and selected sub-groups.

Constraints due to operating capacity or design in the generic BOM are recorded into the algorithms of its software and customers are allowed to make selections within these constraints. These selections begin at the upper level and continue to the lower levels (Olsen et al., 1997).

R&D employees diversify the functions expected from the product among different customer groups and make the necessary combinations in the design parameters to meet the functional expectations of these customers. Thus, physical modularity is provided between products that appeal to different customers (Jiao et al., 2007). The modular structure, which allows the same parts to be used for different products, provides great advantage to company in terms of workmanship, time, material cost and spare parts. The parts that provide the same function in the R&D phase are produced in such a way that they can be connected from the same points with the parts that provide another function and so generic module classes are created. These modules are generally divided into three as basic modules, selective modules and optional modules (Fan et al., 2015). Basic modules do not have any variants, they are used as is. In materials with selective module structure, the customer can change the size, redesign the interface and replace parts. Optional modules are not related to the basic function of the product, the customer has the option to add or remove these modules to the product they will purchase.

The development of web-based technologies has enabled customers to make selections on the products they will give an order online. In this process, it has been switched from web 1.0 applications based on unilateral data transmission to Web 2.0 applications that allow data exchange by collaborating among users, programmers, service providers and businesses (Rudman, 2010). In this way, it is ensured that customers can access generic product trees through web-based applications and make choices for their personalized products. The web-based programs used for customer selections prepare BOM of the desired product by the customer in the background and store this data for use by other systems.

By using virtual reality and augmented reality, instead of making choices from designed parts, studies for platforms where customers can take part in product design in the future are carried out. Mourtzis (Mourtzis et al., 2014) conducted trials with 3D Augmented Reality / Virtual Reality modules that allow design opportunity to the people who are not designers. Using these modules, the customer can change the product properties (color and geometry) with slider controls, radio buttons and other simple design tools. These changes taking into account some parameters such as tool corners include constraints like angle and edge spacing. They have confirmed the feasibility of this practice to a European automotive manufacturer and a CNC machine building company (Mourtzis et al., 2014). The production of 3D printers enables the production of personalized products and such applications are expected to become widespread. This example shows

that in the future, customers will not only select some parts under the product trees, but can also redesign the parts within the product trees within certain constraints.

In the future, another technology that will affect the design of the products will be machine learning. Data from customers' previous purchases or from different platforms such as social media images will be recorded with Web 3 and smart software, and companies can be offered personalized product options based on these data.

2. PLANNING & PRODUCTION

The definition of BOM was used for the first time by Orlicky to show the product structure in the preparation of material resource planning (MRP), which plans production, sales and distribution (Orlicky, 1972; Kashkoush & ElMaraghy, 2016). Forza and Salvador's (2002) study can show how BOM are used for MRP. In the study, the BOM information and stock information of the requested product are matched so that the requirement lists are created. While the matching is done through an algorithm, the matches start from the top levels of the product trees and continue downwards if there is no match with the stock at this level. Thus, work orders for intermediate level assemblies in the product tree that are not in stock and also purchase orders for the lowest level materials are opened as seen in Figure 2.
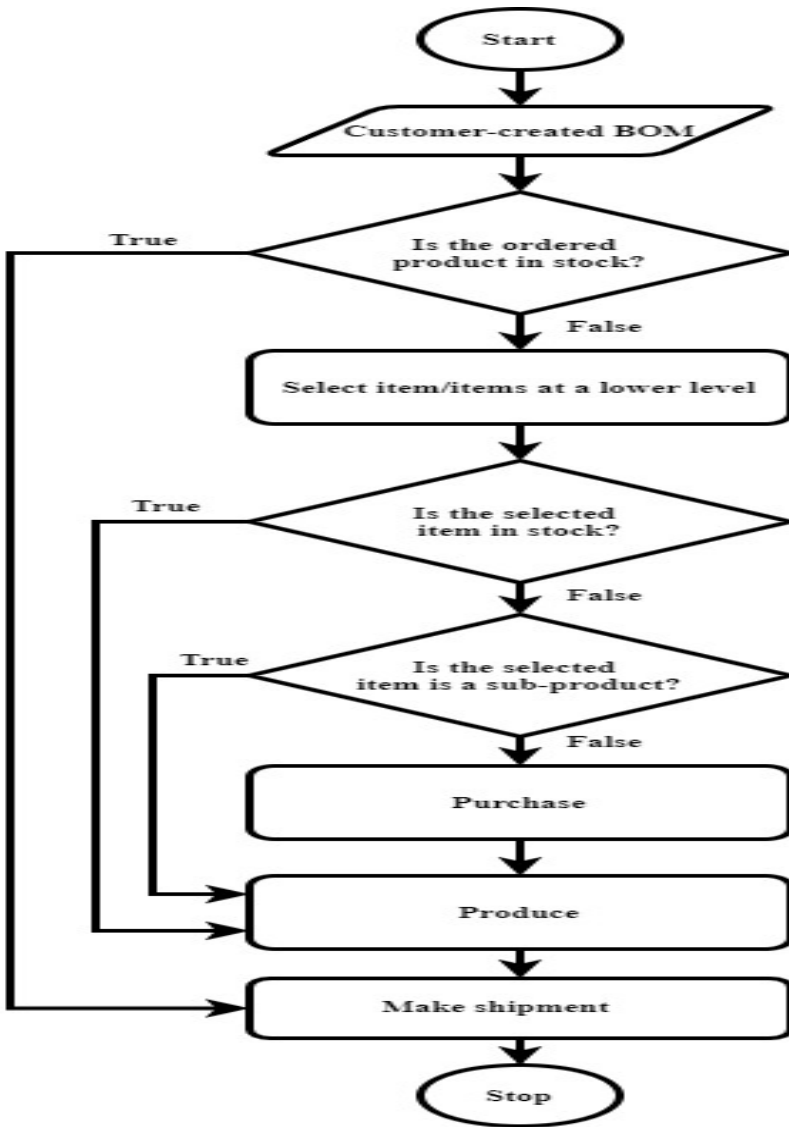
Figure 2: Use of BOM in The Planning Phase

In case the BOMs are dynamic, the operation lists are formed simultaneously with the formation of the BOMs and work distributions are made accordingly. In an example of this structure,

Van Der Aalst (1999) describes the automatic creation of work routes through product trees using the petri network approach. In this study, the subunits in BOMs that are created to cover all variants of product, are divided into three as compulsory, optionally used and compulsory selective. According to these connections in BOMs created on demand, simultaneous operation lists and operation sequencings are gradually formed.

The use of Web-based architecture in production planning systems has enabled the integration of processes to be performed in different locations and heterogeneous platforms (Xiong et al., 2003). In this context, dealers, production facilities, suppliers can communicate with each other through softwares created on the web. Information systems used in a factory that produces office furniture is an example of this software (Ariano & Dagnino, 1995). Here, customers' requests are received through the order entry module. When entering the customer order, they create the product configuration within the constraints defined in the system. Since the object-oriented structure is used in this system, the system is modular and flexible. After the user, who is the dealer or customer representative, specify the construction and coating materials, the sizes and locations of these materials, he automatically import the material lists and the system can also make computer drawings automatically. These kind of product trees, which are called "Smartbom", are determined for each order individually and used in purchasing, production and costing processes.

As a result of the experience gained, businesses started to prepare common BOM instead of preparing different BOMs for their different firm functions. In one of these studies, BOM was placed at the center of the product realization process management and it is used for product design; production schedule; purchases; production; managing montage and submontage maintenance. The BOMs created in this way are named as "enterprise BOM" and these BOMs are classified in four structures, product data, process data, source data (machine, equipment etc.) and time planning data mainly (Lee et al., 2012: 262).

A traceability code (lot number) is given to each part in the manufactured BOM. Thus, when a problem arises with the product, it becomes easier to identify the source of this problem and collect the necessary products from the market. After activities such as production, transportation, these stocks keep the previous traceability codes in the system and get new traceability codes. Thus, loss of continuous information flow is prevented at critical traceability points (Hu et al., 2013). Industry 4.0 technologies give the signals that many data related to the product can be taken with the use of IoT and RFID and added automatically to the BOM of the product. Thus, the data in the physical environment provided by IoT will be compared with the planning BOM prepared before and automatic solutions will be created by entering into the decision-making mechanisms based on smart system when problems arise.

3. AFTER SALES SERVICE AND MAINTENANCE

The personalized products requires a very good traceability system for maintenance activities of these products. The fact that customers make choices from generic products and create a new product structure enables the production of a large number of different products. The data of these products should be kept systematically and should be easily accessible when needed. It is predicted that by 2025, internet nodes can be found in everyday things (food packages, furniture, paper documents and more) (Atzori et al., 2010). A large number of data on products will be available through IoT. The big data generated by IoT will be used in integration with the product material lists and will provide information about the technical features and functions of the products. Taking necessary precautions by evaluating this information will increase the efficiency of product functions and the life of the product. The ability to track product data through embedded systems is also important for deciding which material is problematic in the product and what can be done for this problematic material. The data obtained from the embedded systems found in products that enter our lives such as computers, refrigerators, and mobile phones create an opportunity for the necessary preventive maintenance by examining and evaluating them by smart systems (Zhang et al., 2017). Thus, necessary measures can be taken before the problem arises. With the spread of 3D printers in the future, spare parts suppliers will send CAD data of these spare parts to customers instead of spare parts and customers will prepare their own spare parts. Thus, since spare

parts are not required, cost of spare parts will be saved (Berman, 2012).

4. QUALITY

One of the reasons for the quality department to use the product material lists is to ensure the quality of the product by comparing the parts of the finished product with what it should be in the product tree (Yükçü & Atağan, 2010: 28). As technology improves, the method of evaluating product quality by using product data is also changing. Industry 4.0 components such as robots, image processing systems and RFID are increasingly used in the measurement of product quality. An example of using the image processing system for quality measurement is the study of Yulianti (Yulanti et al. 2016). In this study, the RGB components of this image were taken by taking the image of the beef and thus a judgment was made about the quality of the beef. Studies show that the red ingredient in the fresh beef RGB value is between 56.38% and 66.33%, while the red ingredient value in beef that is not of sufficient quality has a value between 37.76% and 51.71%.

CONCLUSION

In the information age, companies want to reach more data about the product they will produce and to use this data effectively with the new technological infrastructure. Since the value of the companies is measured by the product they produce, every function of the business tries to add value to the product. This will be through the most

accurate management of the data of the product by using new technologies. The technological possibilities, which are thought to be used more in the future, can be summarized as follows on the basis of business functions. R & D employees will use the artificial intelligence and deep learning technologies to design and launch the products that customers want. Marketers will take the orders of personalized products from customers by taking advantage of the communication provided by Web 2.0 and virtual reality and augmented reality applications. In planning, the product data from the order are matched with the inventory data within the company; required purchasing, production and distribution are made through web-based software. During these proceses, by comparing the planned and realized data, the necessary measures will be taken automatically through the smart systems. Manufacturers will be able to produce their products quickly using 3D printers, and these products can be tracked using RFID, IoT and various sensors. Product quality with technological systems such as image processing and the use of robots will be evaluated automatically, even the embedded systems used will be evaluated by smart systems and protective measures will be taken before the problem arises. Simultaneous data from different platforms will be used in product accounting. When a spare part related to the product is required, CAD drawings of the spare part will be sent instead of stock delivery so that customers can produce the necessary parts from their 3D printers. Which of these technologies will be used by companies will be determined by the product structure they produce. What is expected from companies is, being aware of the

changing product data management, not to miss the transition of their functions to new technology and the methods that this technology will bring.

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CHAPTER 4

PLACE AND IMPORTANCE OF THE STRATEGIC HUMAN RESOURCES MANAGEMENT IN ENTERPRISES: APPLICATION EXAMPLES

Lecturer Sadife KINALI[1]

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[1] Selçuk Üniversitesi, Sosyal Bilimler Meslek Yüksek Okulu, Yönetim ve Organizasyon A.B.D, Konya, Türkiye. sadifegungor@selcuk.edu.tr

INTRODUCTION

The fast-developing information technologies and the international economical integrations in today's global competition environment, obligate the enterprises who want to develop in a successful way to be within a constant dynamism. For temporizing with this condition, the enterprises must have a long-term vision and to implement by determining the required strategies with a long-term perspective. The strategy is not related with the current condition of the enterprise but it is related with its future and organizes the relationship between the enterprise and its environment. It increases the continuity and the efficiency of the enterprise by making plans related with long-term future and providing the enterprise to act in accordance with these plans by considering the threats and opportunities around the enterprise (Yüksel, 2002: 31). As the result of the globalization, human resource management (HRM) is very important in the organizations which make operation in all around the world, experience the processes such as growth, downsizing, restructuring (Barutçugil, 2005: 56). Therefore, HRM issues must be discussed in the top level and must be managed with strategic resolutions in the organizations. Besides, the review of these implementations in Turkey and the world, has an important role. The aim of the research is to present the importance and place of the strategic human resources management implementations in obtaining competitive superiority in solution of the problems such as increase in global competition, efficiency, quality, labor, employment and maintain of qualified personnel, restructuring, downsizing and service

procurement from external sources. This research has analyzed the samples of Turkey and the world.

1. CONCEPTUAL FRAME

1.1. Strategy Concept

Strategy concept has derived from the Greek word "strategeus" which means "Chief Commander". As the usage, the word consists of stratos (army) and agein (to send) and in military meaning, it means "to make operation in wide frame-plan" (Bayraktaroğlu, 2002: 40). The strategy concept has included in the literatures of management and other sciences from military literature. The military strategy is the art of designing and managing the operations and activities of the armies in a war (Ülgen & Mirze, 2004: 33). The first author who implements the strategy on the management is Von Neuman & Morgenstein (1947). In the game theory, they studied on the implementation of the strategy on the management however their theories were convenient to the management but could not be integrated to other management concepts (Yüzbaşıoğlu, 2004: 81). The strategy word which comes to our language from English, is used in the meaning of "the path followed for reaching the determined targets" (Aşgın, 2008: 4). The strategy is the reorganization of the activities required for the actualization of the objects by determining the objects and targets of the enterprise and by analyzing the relationships between the enterprise and its environment (Bedük, 2010: 237). Strategy determines how the resources and assets are used in protecting and forming the competitive advantage (Baykara,

2014: 221). Ideally, strategy must adopt its resources into the changing environment and must tend towards to market and the customers as to meet the expectations of the shareholders (Clayton, 2004: 35). Strategy is the process of determining the objects that shall provide harmony by analyzing the enterprise and its environment regularly, planning the activities and reorganizing the required tools and resources (Dinçer, 2007: 19). The management strategies may be discussed in two groups as content and process. Content expresses which type of the strategy is used (Porter's low cost, diversification etc.), process expresses how the executive formulates and implements the content of the strategy (Frese et al., 2000: 1-18).

Today, the enterprises maintain their existences in a dynamic and changing environment. All organizations including the enterprises must carry out activities for the future and changes as well as the managerial studies for the ordinary (routine) works for providing the interaction with the external environment and exist and to meet the demands of the shareholders (Akdemir, 2012: 3). All these activities are identified as the strategic management.

1.2. Strategic Management

The strategic management in enterprises has an all-purpose and comprehensive structure within the integrity of the system. Therefore, the strategic management is a process which is effective on the success of the enterprise and takes part in the scope of authority of the senior executives (Escriba- Esteve et al., 2009: 581-582). This process consists

of four stage; strategic awareness, selection of appropriate strategies, implementation of the selected strategies and evaluation of the results (Bartuçugil, 2013: 17). The strategic management concept expresses a meaning including the efficient usage of the resources of the enterprise for creating awareness and providing superiority on the competitors and regulating the relationships between the enterprise and its environment (Sağır, 2010: 314). In another definition; the strategic management is a management technique which presents the activities of the organization, the reason of the existence and the targets demanded for the future (Aktan, 2008: 6). The strategic management includes the understanding of the strategic position of an organization, selection of the strategic selections for future and the strategic returns in the activities. The strategic position of the enterprise is determined by the environment, strategic abilities, expectations and the objects. The strategic selections consist of the strategies in management level, partnerships and international cooperation and development methods. The strategies in activity level are related with the organization of the activities and variation method (Akgemci, 2008: 7).

1.3. Strategic Human Resources Management

Generally, human resources phrase expresses the human which is one of the main resources used by the enterprises for producing commodity and services. The place of the human resource cannot be replaced with any other resource because human supplies, plans, organizes, manages, operates all other resources and possesses all inputs. (Sabuncuoğlu, 2000: 2). Human resources problems in various sizes are seen in the

enterprises. When these problems increase, the human resources function in the enterprises become to have important roles. When the human resources function impersonalizes then the human resources organs become to occur within the organizational structure. Therefore, human resources function, human resources organs and human resources process occur (Azad, 2013: 17). A realistic HRM may occur within the frame of the company strategy. For this, strategic thinking must become one of the important skills of the company (Kırım, 2005: 126-127).

HRM is the whole of the activities which are formed for increasing the efficiency of the employees in an institution. In other words, it is the unit in an enterprise which is responsible from organizing and carrying out the activities that shall evoke the human resources in the enterprise for reaching the corporate targets (Gürüz & Yaylacı, 2004: 23). The strategic human resources management is related with the operation relationships of the organization, finding personnel, learning and developing, performance management, policy related with the relationship between the award and employees, the intentions and plans forming the program and implementations. It is derived from SHRM, HRM and strategy concepts (Armstrong, 2006: 115).

SHRM is identified as the connection of the human resources with strategic objects and targets for increasing the performance of the employees, interiorizing and developing the culture of the organization which encourages the innovativeness and flexibility (Akgemci et al., 2004: 283). The most important asset of the enterprises, is the labor

working in different stages within the enterprise. The human resources function which exists in equal distance to the department and staff function within the organization has a critical role in providing competitive advantage to the organization (Sondhi & Nirmal, 2013: 4-10). The studies for being included to the conceptual studies present the HR functions (employment, selection, placement, education, performance management and remuneration), the role of the industry on these functions and the necessity of connecting or binding the functions with the management strategies showing the operation (Batt & Banerjee, 2012: 1739-1762).

There are three main approaches for SHRM. These are; Global Approach; it depends on the approach of " any best HRM model developing the performance of the organization provides the same positive result in the same enterprises regardless of the organization strategy. Situational Approach depends on the opinion that HR strategies shall be appropriate for the various establishment strategies. Resource-based approach expresses that for obtaining competitive advantage against the competitors depends on the resources of the organization and the particularly the human resource must be seen as "human capital" (Armstrong, 2008: 38-41). Therefore, strategic human resources management must focus on the consistent human resources management implementations for developing the knowledge, talents and skills for developing the competitive strategies and actualizing the corporate targets of the enterprises (Werbel & De Marie, 2005; Akgemci, 2015: 255). The strategic decisions which are formed by the

enterprises for gaining success, are identified with the general lines of the strategic implementations rather than determination of the details of strategic content and strategic implementations (Slater et al., 2006: 1223-1224). In this respect, the fundamental human resources strategies may be grouped as follows (Taştan, 2003; Akgemci, 2015: 249-250):

- *Strategies for finding employee*: it is aimed to find the personnel in amount and quality required by the enterprise in this strategy.

- *Education and Development Strategies*: Factors such as knowledge, skill and talent level of the employees, career planning and management process of the top management and education costs have important role in determination of these strategies.

- *Success Evaluation Strategies*: The factors such as organization the evaluation system of the employees, determination of the methods have important effect on the success evaluation strategies.

- *Wage Strategies*: The size of the organization has an important role in determination of the wage strategies. For example, an incentive wage system for increasing the performance of a developing company may be an efficient strategy.

- *Business Relations Strategies*: Formal or informal discipline problems, opposition with the unions or cooperation status, low

or high job security are the general factors which are effective on the strategies related with the business relatıons.

While corporate or business management strategies are implemented in the enterprises, it is required to prepare the activities related with the human resources in accordance with the selected strategies (Yıldırım, 2015: 29).

2. SAMPLES OF STRATEGIC HUMAN RESOURCES MANAGEMENT IMPLEMENTATION IN ENTERPRISES OF TURKEY AND WORLD

Today, multi-purpose and constant change occurring in the globalization process, affects each category of the society, organization and enterprises. For maintaining and surviving, the enterprises must accord with the changes coming together with the globalization. This leads the enterprises for acting strategically and to take strategic decisions (Çetinsöz et al., 2010: 4). The human resources generates the most important existence of the organization. The enterprises which do not benefit from this source efficiently, shall not provide competitive superiority in the solutions of the problems such as increase in global competition, efficiency, quality, labor, employment and maintain of qualified personnel, restructuring, downsizing and service procurement from external sources (Ivancevich, 1998; Özgen & Yalçın, 2015: 37).

A strategy case identifies the internal and external conditions of the organizations and is related with the missions, strategies, objects and policies. Strategic management case identifies the cases of a company

in some conditions. Strategic management cases are formed by applying strategic human resources management implementations. Various samples from Turkey and world are discussed in this section for strategic human resources management implementation.

2.1. British Airways

British Airways (BA) is the company which employs approximately 5000 persons each year and has the widest employment opportunity in England. At the beginning of 1990s, the senior HR executives have taken important steps for according with the changes in the labor market. Sometimes, it was a problem to find talented new employees in the fields such as information technology, finance and engineering. Besides, there was a net decrease in the demand of the talented young candidates. All these trends have occurred together with the increase in the qualified labor demand and growth in the business world and development of the commercial life. The difference between the demand and supply has led the formation of marketing team for finding new employees to the company. The main purpose of the team is to take the company to the most preferred point and to extend the customer-focus approach of the company as to include HR supply field (Şimşek & Öge, 2007: 82).

2.2. Doğuş Group

This sample has been taken from the study of Ülgen and Mirze (Ülgen & Mirze, 2004: 48-49); Top management of Doğuş Group has determined to encourage its own employees for strategic thinking as a

new, important and critic strategy. It adopted the strategic thinking as the most criteria of competence evaluation of human resources.

2.3. Satürn Corporation

The experts agree that Saturn Cooperation which is the subsidiary of General Motors, has created an important effect in automotive market. The executives of Saturn agree that the teams are the key factors in the success of the company. The teams are the most important part of the main organizational structure. In the production department, teams consisting of 5-15 persons who manage themselves, are created. Each team selects a leader who is named as "business-team consultant". The teams can take decisions in the subjects such as programming, employment, budget preparation, various production and quality issues. The decisions are taken with %70 "unanimity rate" in other words as consensus and when the decisions are taken, this rate converts into %100 support rate. All Saturn complex is supervised by a production consultancy committee consisting of union and management representatives. Strategic Activity Committee (SAC) which is responsible from long term planning and policy determination, takes place in the top point (Şimşek & Öge, 2007: 110).

2.4. İstanbul University

This sample has been taken from the study of Yıldırım (2015); the strategic human resources management which started to occur in 1970s, has started to developed recently in the public institutions. Human Resources departments in Istanbul University are named as Head of

Personnel Department or Directorates of Personnel, in recent years, many public institutions develop strategies for institution policies and strategies for these policies for competing with the other institutions carrying out activity in the same business field and increasing the performance of the personnel and the institution, these developed strategies are tried to be implemeted on the employees with the personnel departments. Istanbul University plans some training programs for the development of the personnel with various in-service trainings within the year, at the end of these studies, the deficiencies of the personnel and the relevant unit are determined and the solution suggestions are being developed. As the conclusion, it may be said that the adaptation of strategic human resources management approach by Istanbul University and the development in the relation between the employees and Istanbul University, shall increase the performance of the institution.

2.5. British American Tobacco

British American Tobacco is one of the company who have the awareness that the selection of the accurate employees and the employment is a very critical process for the promotion of the company. Human Resources team has undertaken very important duties in employing and developing the employees in this company which is new in Turkish market. The young and energetic Human Resources team of the company has succeeded in this critical duty and actualizes new implementations which are presented in rare companies in Turkey and

they actualize a new implementation with their employment process (Şimşek & Öge, 2007: 168).

2.6. Ben and Jerry's Homemade Inc.

This sample is taken from the study of Şimşek and Öge (Şimşek & Öge, 2011: 277); the famous management guru, Peter Drucler defenses that the salary/wage difference between the executives and low-level employees shall not be more than a specific rate. This policy is applied in Ben and Jerry's Homemade. When compared with the employees with the lowest salary, the top executives of the company Ben Cohen and Jerry Greenfield do not take salaries more than the seven times of the lowest salary and the salaries of the executive is in the level of 100.000$.

2.7. Visitech

The pioneer of the change in the eye product industry, Visitech has a computerized and automatic optic laboratory in each shop which the products related with the eye are produced. The importance of the initial effect and the observation is discussed and it is dealt how the beliefs and expectation of the employees affects their behaviors in work. The instructor emphasizes the importance of establishing a strong employer-employee relationship through a well-established orientation program. The positive attitude and behaviors related with the work which is supported by Visitech employee relations program, have a major importance in development of the optic industry where the service is important (Şimşek & Öge, 2007: 221).

2.8. BİM Birleşik Mağazalar A.Ş.

BİM has achieved its success through the organic growth. The circulation rate of the personnel in the company, is below the averages of the sector and the loyalty of the personnel is in the highest level. The preservation of the cultural structure and the vertical career policy in the qualification of encouraging the personnel, form some of the reasons (Eren, 2015: 309).

2.9. İstanbul Deniz Otobüsleri (İDO) A.Ş.

İDO has 1314 expert employees who have high knowledge and skill level, easily adopt the changing environment conditions, have high organizational loyalty, focus on the customer satisfaction. IDO which thinks that the customer satisfaction and quality focus depend on the satisfaction of the employees, gives importance to the training and development activities of the personnel within this frame and provides the employees to take technical and expertise training providing equal opportunity and supporting the efficient participation (Ülgen & Mirze, 2014: 521).

2.10. Otokar Otomotiv ve Savunma Sanayi A.Ş.

The process of the human resources system is idenditified with the procedures and is announced to whole employees. Studies which are convenient with the HRM policies of Koç group, are carried out and the rights and working conditions of both white collared and blue collared

employees, are guaranteed as not to make any discrimination and maltreatment (Eren, 2015: 322).

2.11. Acı Badem Health Group

Performance Management; the performance management system which is established in 2006 for measuring the performances of the employees within the year and determining the "career planning" and "educationve development needs", is structured as competence-based. Career Planning; it includes the development programs of the internal and external executive candidates within the executive and Leader development program, training and rotation programs for the self-development of the candidates and the projects providing the individual and group studies. Training and Development; it is to develop the competences of the studies in accordance with the training and development programs which are formed by the corporate values and principles for according to the changing conditions, for making the current works in better form and to train the future executives of the institution (Eren, 2015: 242).

2.12. Boyner Group

Boyner Büyük Magazacılık has materialized projects dealing with many subjects such as Performance and Career Management, Motivation, Training and Development, Loyalty of the Employee, Employment and Internal Communication in human resources organization in 2014. After the completion of the integration process YKM, the best implementations of both companies related with human

resources are considered and are expanded to whole organization. 4556 employees have participated to the training and development program in accordance with the operation targets, projects, individual and professional development needs within year. In 2015, a technology-supported education is aimed with e-learning and video trainings, educations which are convenient with Y zone in 2015 (Activity Report, 2014).

2.13. Trend Mobilya A.Ş.

Trend Mobilya has 211 employees; 61 of the employees are employed in administrative departments, 150 of them are employed in production activities. There are two production units of Trend Mobilya as to be Panel Group and Furnishing Group. 80 employees are employed in Panel Group and 70 employees are employed in the furnishing group. The employees of the company are not within the scope of union agreement. Trend Mobilya gives importance to the promotion of its own employees to upper positions. Besides, internal and external trainings are provided to the employees with the annual training plan (Eren, 2015: 50).

2.14. Goldaş Kuyumculuk A.Ş.

HR department which adopts the constant development in human resources policy implementations and constant investment to human as the basic strategy with the global point of view, takes "first human" principles as the focus point. IK policy which gives major importance to establishing a team spirit among the employees, is mainly established

on these values (Eren, 2015: 83-84): These values are total quality philosophy, team work, customer and market focality, constant development, making the education to a part of the duty, personal occupational development, result orientation, to work in self-sacrificing and disciplined form.

2.15. Migros Ticaret A.Ş.

It provides service in Turkey and abroad subsidiaries with employees with various ages and religions from approximately twenty nations. Migros observes the competence, skill and performance of the employees objectively within the frame of the common principles with HR evaluation systems. As per the results of the evaluation, Migros provides equal opportunity in usage of education, development, career and wage resources with Integrated HR systems (Eren, 2015: 159).

2.16. Unilever

Unilever includes many different functions such as product development, logistics, production, sales as well as the richness of the product portfolio in both house, personal care and food categories. Human resources functions are managed as central form. It plans and implements career modulations by providing opportunity for working in various countries and within different functions among the various categories and produce in terms of personal development as well as the occupational development. The training programs are divided as occupational trainings and competence trainings mainly for the personal development. All human resources systems are implemented

for increasing the competence levels, performance in parallel to the obtained results (Şimşek & Öge, 2011: 423-424).

2.17. Shell Internationale Petroleum

Today, some companies carrying out activities in international field, take considerable steps in developing structural UIKY programs for supporting the occupational and personal subjects during and after the appointment of the employees and their families in foreign countries. One of the best samples in this subject is Shell Internationale Petroeum which is a global Holland- English company. It has approximately 5600 employees in the foreign duties in 120 countries. The company has established a consultancy unit within its body for helping the families by considering the sensitivity of the families with double career in career. Besides, Shell has shown a common effort which is planned for developing the communication between the employees, executives and HT executives. As the result of these efforts, the company becomes more flexible in preparing the employees and the families for the international duties and it is more sensitive to the needs of the families (Wendell, 1998: 637-638; Şimşek & Öge, 2011: 414-415).

2.18. HP

The company implements a performance management system which aims the constant development and includes efficient career planning, individual and group development plans, business and performance evaluations and salary, rewarding and promotion applications in accordance with these evaluations (Şimşek & Öge, 2011: 433).

2.19. Türkiye İş Bankası

The primary target is to determine the aspects of the employees in increasing the efficiency and development needs, to provide a fast and merry service presentation, a compatible working environment to the employees. Evaluation documents are prepared and feedbacks are given to the employees related with their performance within the scope of open evaluation system for reaching the targets more easily. The wages of the employees are adjusted in accordance with Labor Agreement. Besides, the compensation is paid according to the position and expertise (Şimşek & Öge, 2011: 435-436).

2.20. General Telephone Company

The company has shown a common effort with the universities for developing a comprehensive and efficient employment program. To establishing such relations with the schools, is considered as critical and important in terms of determination and selection of the employees with high level potential. HR department of the company has determined annual performance standards for each individual working in its department. For example, the position vacant within the body of the organization shall be filled with an appropriate timing and the individual who is appointed to the position shall develop and maintain compatible and harmonized relationships with the universities, relevant unit and departments (Şimşek & Öge, 2011: 333).

CONCLUSION

The human becomes the main resources and focus point of the management in today's competition environment. The management exists for human and with human. The humans in the enterprises work for reaching their goals, meeting the needs of both themselves and the enterprises within a specific authority pattern and responsibility. The main duty of the management is to direct the efforts of the employees to the objects of the enterprise within a harmonized cooperation and to actualize these objects.

In contemporary enterprises, it is an obligatory for dealing the subjects related with HR with a strategic approach. The changing conditions, complex comprehensive problems and new management approaches make the importance given to the human inevitable. Together with the acceptance of HRM as a strategic management activity, it is aimed to prepare the activity plan which shall provide reaching the personnel in amount number in required time who have required qualifications for reaching the organizational objects as the result of the activities of human resources for determining the human resource which is convenient to the conditions desired for today and future by the management. Strategy implementation focuses on the techniques used in actualizing the strategies by the executives. The strategy evaluation shows the level of actual change and performance and whether the change is achieved. It shows how this strategic planning should be made and how the managerial process is affected. As we have mentioned before, strategic decision taking process represents a politic process

which emphasizes the potential gap between the theoric model and reality.

Among the activities related with the strategic human resource management, there are HRM policies and implementations which shall provide competitive advantage to the enterprise by managing the employees in strategic form. Thus, the strategic aspect of the human resources is the relationship between the human resources policies and strategic targets of the enterprise. To associate HR implementations with the strategic targets of the enterprise and to increase the contribution of the employees to the targets of the company form the basis of the strategic human resource management. The expectation from the relationship between HT implementations and strategic targets, is a positive change in the performance of the enterprise. The strategic aspect of human resources is its effect on the performance.

As the conclusion, it is observed that SHRM provides development in many performance criteria such as delivery term speed, sales per employee, rates of error-defect, production per employee, market value per employee. This becomes an element which strengths the competitive aspect of today's enterprises. As seen in the samples within the study, the strategy concept has a major importance in terms of human resources management.

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CHAPTER 5

THE USE OF PROFESSIONAL SKEPTICISM IN FRAUD RISK ASSESSMENT

Assist. Prof. Duygu CELAYIR[1]

[1] Istanbul Commerce University, Department of Accounting and Auditing, Istanbul, Turkey, dcelayir@ticaret.edu.tr

INTRODUCTION

Reliable financial information is vital to investors' confidence in capital markets. The financial reporting information chain involves many stakeholders, each of whom has responsibilities in promoting reliable financial reporting. This chain includes independent auditors, who hold unique responsibilities. Independent auditors play an important role in supporting the quality of financial reporting process by providing an independent opinion that financial statements present fairly in all material respects, or give a true and fair view of, the reporting entities' financial position, results of operations, and cash flows, in accordance with an applicable reporting framework. Auditors adhere to professional standards and legal and regulatory requirements while performing financial statement audits. Those standards require that appropriate professional skepticism be applied in the exercise of professional judgment.

The responsibilities of independent auditors in fraud risk assessment have gained attention in the wake of the recent accounting-audit scandals. Particular emphasis has been given to the use of auditor professional skepticism in this process. In evaluating the main reasons behind audit failure in identifying fraud risk in accounting scandals, the extent to which auditors are competent in professional skepticism has begun to be the subject of debate.

The inability of auditors to identify incidences of material misstatement due to fraud (fraud risks) tends to negatively affect the reputation of the

audit profession. Particularly, the failure of auditors to assess fraud risks, that is, the disclosure of fraud cases after auditing of financial statements, has been a source of serious concern (KPMG, 2013). This has weakened public confidence in the role of auditors to assess the risks of material misstatement due to fraud. In response to the increased importance of this issue, auditors have been advised to carefully apply professional skepticism in fraud risk assessment. The assumption in the auditing profession is that the exercise of professional skepticism among auditors minimizes material misstatements within financial statements (Hurtt, 2010). When submitting a reasonable assurance report on the accuracy and consistency of a company's financial statements, auditors should comply with professional standards requiring that an appropriate level of professional skepticism be exercised throughout the audit. Although the underlying concepts of professional skepticism are relatively straightforward, there is a lack of common understanding or practical guidance on what professional skepticism is and how it can be demonstrated and documented (Ciolek, 2017; Glover & Prawitt, 2013). The heightened interest in the exercise of professional skepticism by auditors stems from a variety of reasons, including large-scale accounting frauds, which are catalysts for regulatory reforms like the Sarbanes-Oxley Act, the increasing complexity of transactions, and the expanded use of subjective estimates and fair values in accounting, which require a greater degree of judgment in estimating and evaluating the values reported in the financial statements. However, in order to enact measures to improve skepticism, it is necessary to better understand the underlying concepts

of professional skepticism and the factors affecting it. The auditor is inherently skeptical and behaviorally oriented to report cases of fraud (Nelson, 2009). Studies show that the adoption of professional skepticism significantly improves the performance of auditors in assessing the risks of material misstatement due to fraud (Hurtt et al., 2013; Hussin & Iskandar, 2013). Although auditors are not responsible for revealing fraud, they should nonetheless gain reasonable assurance about whether financial statements as a whole are free from material misstatement, whether due to fraud or error (ISA 200). Therefore, auditors should maintain a sense of professional skepticism and obtain a sufficient amount of appropriate audit evidence by applying additional controls and audit procedures in the process of assessing fraud risk. Skepticism occurs when there is doubt concerning the reliability of the information received. If a person has doubt about the reliability of the information provided by a customer, he/she looks for more indications. In this context, an auditor with a high level of professional skepticism will seek more information/evidence and make additional controls to arrive at an adequate basis for further audit decisions. After performing additional checks, auditors will be able to achieve their goals, i.e., verify whether fraud has really occurred (IAASB, 2013; PCAOB-AS2301).

This study aims to contribute to this ongoing debate on whether increasing auditor professional skepticism in the fraud risk assessment process would help to improve their ability to identify fraud. Accordingly, this study first presents the conceptual framework of professional skepticism, and then goes on to evaluate how independent

auditors should assess fraud risk and utilize the professional skepticism elaborated by audit standards in this process.

1. CONCEPTUAL FRAMEWORK OF PROFESSIONAL SKEPTICISM

The word skepticism is formed from the root "skeptic," which comes from the Greek word "skeptikos," meaning "inquiring or reflective." To inquire is "to seek information by questioning; to ask (Odelabu et al., 2016). The characteristics commonly associated with being a skeptic include questioning and careful observation, probing reflection, looking beyond the obvious, and suspension of belief (Glower & Prawitt, 2013). Professional skepticism stems from critical thinking, which is defined as "An open-minded approach to analyzing a situation or task for the development of supportable conclusions and conveying the assessed results" (KPMG, 2016). The Statements on Auditing Standards (SAS) No. 1 defines professional skepticism as "to have a neutral perspective". According to auditing standards, professional skepticism is a set of behaviors that include a questioning mind, being alert to conditions caused by fraud or error, and a critical assessment of audit evidence (ISAs). In defining professional skepticism, international audit standards emphasize both a questioning mind and the critical assessment of audit evidence (Ciolek, 2017; Glover & Prawitt, 2013). The auditor uses the knowledge and skills called for by the profession to diligently perform, in good faith and with integrity, the gathering and objective evaluation of evidence. The auditor neither assumes that business management is fully dishonest nor assumes unquestioned

honesty (Nelson, 2009). Professional skepticism is an approach that includes a questioning mind, being alert to conditions which may indicate possible material misstatements due to error or fraud, and a critical assessment of audit evidence (IASSB 2013). Independent auditors should maintain professional skepticism throughout the audit, recognizing the possibility that the risks of material misstatement due to fraud could exist, notwithstanding their past experiences and impressions related to the entity.

Professional skepticism refers to "an attitude that includes a questioning mind and a critical assessment of audit evidence" and is at the foundation of the profession (Greenspan, 2018). Its importance has been underlined multiple times since auditing standards codification. Professional skepticism can be viewed as a lens through which auditors evaluate evidence and risk throughout the audit process. This questioning attitude and behavior is "essential to the performance of effective audits" and "is required in every aspect of every audit by every auditor working on the audit" (Baumann 2012, Hurt, 2001).

Professional skepticism refers to having sensitivity to evidence that reduces the risk of material misstatement due to fraud in financial statements (McMillan & White, 1993), and therefore it should be maintained throughout the assessment of material misstatement due to fraud. Professional skepticism could also be defined as the auditor's choice to fulfill their duty to prevent or reduce the harmful consequences of another person's behavior (Shaub & Lawrence, 1996). In this sense, it depends on the ability of auditors to maintain an

appropriate level of independence from the client and to give preference to a duty to the public over a duty to the client (Kadous, 2000). Professional skepticism is a feature that should exist to a certain degree in all members of an audit team throughout the audit, and it is one of the factors that ensures the audit is carried out in an effective and high quality manner.

Moreover, professional skepticism is an approach to evaluate audit findings from a critical and questioning perspective and as such, should be applied throughout all stages of the audit (Sorova & Dimitrova, 2016). According to auditing standards, the auditor should perform audits with a questioning mind in a neutral and bias-free manner and should also adopt an attitude that serves to facilitate a critical evaluation of audit evidence. Parties who rely on the auditor's report expect the auditor to comply with these essential requirements (IAASB, 2013). The auditor should design and perform audit procedures with an understanding of professional skepticism, taking into account the possibility of material misstatements in financial statements. Professional skepticism is necessary for improving the quality of audits, as skeptical auditors will have the habit of seeking further information about the business management's claims and assess its performance by gathering sufficient evidence to support their decision. Auditors should, furthermore, evaluate audit evidence based on this understanding of professional skepticism (Yazid & Suryanto, 2017). In other words, they should not accept the evidence as it comes, but rather, always keep in mind the possibility that the evidence may be inadequate or misleading.

Auditing standards emphasize a questioning mind and a critical assessment of audit evidence. However, terms such as "a questioning mind" and "a critical assessment of audit evidence" are somewhat ambiguous and leave open to interpretation what constitutes appropriate levels of questioning or critical assessment, and how such behavior is demonstrated and documented in settings that present different risks at the classes of transaction, account balances, or disclosures and related assertions. As an attitude, professional skepticism is fundamentally a mindset. Along with an auditor's mindset, other elements of professional skepticism include an auditor's attributes and actions (IAASB, 2013; Sorova & Dimitrova, 2016).

According to the International Standard on Auditing 200 (ISA 200), professional skepticism requires being alert to the conditions listed below.

- Audit evidence that contradicts other audit evidence obtained.
- Information that brings into question the reliability of documents and responses to inquiries to be used as audit evidence.
- Conditions that may indicate possible fraud.
- Circumstances that suggest the need for audit procedures outside of those required by the ISAs.

Professional skepticism should be maintained throughout the entire audit process to reduce various risks, such as overlooking unusual circumstances, over generalizing when drawing conclusions from audit

observations, and using inappropriate assumptions in determining and evaluating the scope of the audit procedures.

Skepticism can be viewed as a force that drives auditors to recognize potential errors and fraud and to investigate misstatements if they exist. This implies that an adequate level of professional skepticism is essential to a high-quality audit (Nolder & Kadous, 2018). Skepticism involves the validation of information through in-depth questions, critical assessment of evidence, and attention to inconsistencies. Being skeptical is an effective way to evaluate the management's integrity and address ethical behavior expectations (Hurtt, Eining & Plumlee, 2008). The execution of skepticism can sometimes cause restlessness, so it is important to create an atmosphere where difficult questions can be asked without creating a hostile environment. According to Rasso (2013), individuals with a prudent and questioning mind display more skeptical judgment and behavior. A prudent mindset includes impartiality, objectivity, open-mindedness, lack of adherence to a single alternative, and in-depth assessment of evidence. Individuals with this mindset consider evidence and counter alternatives in a more thorough and multi-dimensional manner to understand the cause of the problem. In this case, they exert more cognitive efforts to deal with difficult tasks, which improves the quality of the audit.

1.1. Elements of Professional Skepticism

The auditing standards define professional skepticism as an attitude involving a questioning mind that critically evaluates the suitability and

adequacy of audit evidence. Based on this definition, professional skepticism has three elements, namely attributes, actions, and mindset, all of which permeate the entire audit process and are integral to the quality of the audit. These elements of professional skepticism interact dynamically as auditors respond to conditions and pressures that change or arise during the audit (PCAOB, 2013; Nin, 2013; Heath, 2015; Dimitrova & Sorova, 2016;

1. Attributes (knowledge, skills and abilities) – the audit is to be performed by a person or persons having adequate technical training and proficiency as an auditor. Auditors should be assigned to tasks and supervised commensurate with their level of knowledge, skills, and abilities so that they can evaluate the audit evidence they are examining.

2. Mindset (an attitude) – the auditor neither assumes that management is dishonest nor assumes unquestioned honesty. In exercising professional skepticism, the auditor should not be satisfied with less than persuasive evidence because of a belief that management is honest.

3. Actions (a critical assessment) – gathering and objectively evaluating audit evidence requires the auditor to consider the competency and sufficiency of the evidence. Since evidence is gathered and evaluated throughout the audit, professional skepticism should be exercised throughout the audit process.
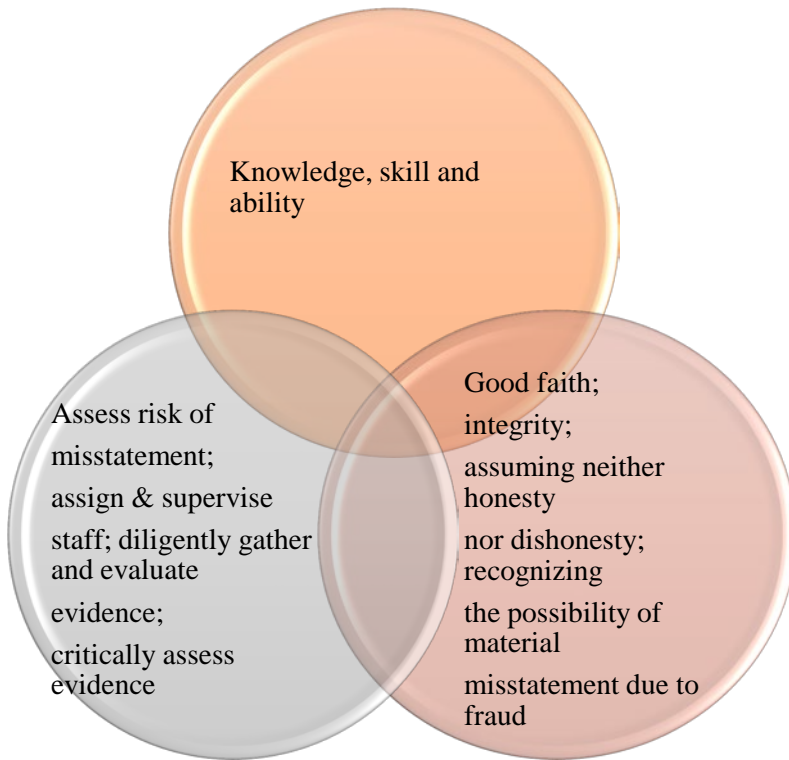
Figure 1: The elements of professional skepticism (Center for Audit Quality, 2013; Franzel, 2013)

Plumlee (2003), present a theoretical model of professional skepticism that is grounded in psychological and philosophical literature on methodological skepticism. This model suggests professional skepticism is a multi-dimensional construct comprised of six personal characteristics that constitute the essential attributes of an auditor who is professionally skeptical (Toba, 2011; Nolder & Kudous, 2018; Hurtt, R. K., Eining, M., & Plumlee, D. 2003; Dimitrova & Sorova, 2016; Hurtt et al, 2003):

1. Questioning mind – refers to the attitude of an individual relating to curiosity and interest. Auditors that have a questioning mind attitude will continually ask questions for the purpose of further clarification and definition; and demand reasons, proof. An auditor will adopt the questioning mind attitude in order to obtain sufficient evidence before making audit judgments or forming conclusions. Auditors may also question the accuracy of their own judgments.

2. Suspension of judgment – is a dimension of professional skepticism that refers to an attitude of auditors to postpone making audit judgments until sufficient evidence has been gathered. Auditors who possess these characteristic will not accept any statement or explanation without critically evaluating the audit evidence.

3. Searching for knowledge – refers to the auditor's curiosity or desire to investigate. The knowledge gained by auditors is useful in the application of various audit procedures and techniques. ISAs underline the importance of having relevant knowledge, especially when a risk of material misstatements due to fraud exists.

4. Interpersonal understanding – refers to the understanding of reasons or motivations of an individual that drive the person's behavior. Regarding the audit, interpersonal understanding is an indicator of how auditors appreciate the motivation and integrity of individuals who present the audit evidence.

5. Self-confidence – refers to feelings of self-worth and belief in one's own abilities. Auditors who possess this attribute are more confident to perform audit tasks effectively and make their own audit judgments and conclusions.

6. Self-determining – refers to the ability of an auditor to decide on the adequacy of the information presented as evidence before he makes audit judgments. Auditors that possess this characteristic rely less on client's suggestions and will not be easily influenced by the belief or opinion of others.

2. FRAUD AND FRAUD RISK IN INDEPENDENT AUDIT

Fraud needs to be handled carefully considering that it involves a human factor, is an integral part of the business world, and can mislead decision makers. Fraud can refer to a number of misstatements that are inspired by distortions, tricks, and deviousness. In this sense, it can be defined as any deliberate (purposeful) attitude/procedure aimed at damaging the entity by causing loss of assets (Erdoğan, 2006). Fraudulent financial reporting events, which gained public attention with the Enron scandal in the early 2000s and continued thereafter (Kassem & Higson, 2012), first appeared in the form of "theft of assets" to meet personal needs. The types of fraud began to change as well in line with the changes and development of economic life. Fraud pertains to a large number of activities, but in general, it is the intentional misconduct, dishonesty and illegal behaviors aimed at deceiving other parties (Vona, 2008). The concept of fraud has been around since the existence of society, but over times it has turned into more complex enterprise. In this context, the prevalence and types of fraud have evolved continuously and have always been issues of concern (Driel, 2019; Koh et. al., 2009). Rezaee (2002) describes fraud as an action of one party to unfairly deceive and take advantage of another by

dishonesty, subterfuge and similar means. Ferguson (2018) uses fraud to explain actions like deception, bribery, corruption, distortion, theft, embezzlement, abuse, and hiding significant facts.

The Association of Certified Fraud Examiners lists four primary features of fraud (ACFE). Accordingly, a fraudulent activity

- is clandestine,

- is committed for the purpose of financial benefit to the perpetrator,

- is a deliberate action, and

- costs the defrauded party assets, revenue or reserves.

Although there are different types of fraud that take place in entities, the fraud triangle, a theory developed by Donald R. Cressey in the late 1940s, highlights three factors governing situations where fraud is committed (Ramos, 2003), namely, motive or pressure due to financial needs; rationalization of committing fraud/ presence of moral environment suitable for committing fraud; and situational opportunity enabling fraud to occur (Wells, 2008).

Fraud can arise in the form of theft, misappropriation/abuse of assets or resources, and misconduct by low-tier employees, or in the form of fraudulent financial reports. However, due to the effect of fraudulent behavior on business financial status and outcomes, business frauds are generally discussed by scientific studies within the framework of fraudulent financial reporting (Soltani, 2014).
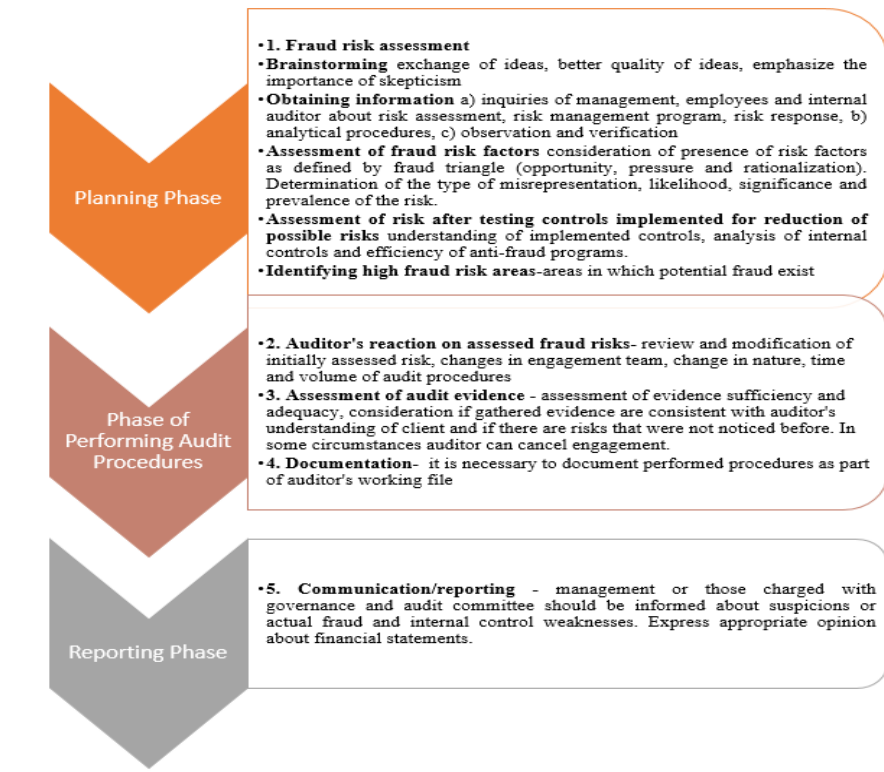
Fraudulent financial reporting refers to the deliberate execution of transactions that cause material misstatements in financial reports, in order to mislead the information users who make decisions by using these financial statements and reports. The SAS 99 defines the distortions in fraudulent financial reporting as "intentional misstatements or omissions of amounts or disclosures in financial statements designed to deceive financial statement users, where the outcome results in the financial statements not being presented, in all material respects, in conformity with generally accepted accounting principles" (SAS 99, art.5-6). In this context, fraudulent financial reporting involves intentional misstatements or omissions of amounts or disclosures in financial statements to deceive financial statement users (Bayou & Reinstein, 2006). In general, risk represents the uncertainty of event occurence, which could have detrimental effect on the achievement of objectives and is measured as a combination of the probability of an event and its consequences. With an attitude of professional skepticism and due professional care, the auditor has to assess inherent risk, control risk, audit and fraud risk and materiality (Anderson & Maletta, 1999). The fraud risk represents the probability fraud will occur or potential severity and consequences for the company when it comes to fraud. As already mentioned, ISA 240 provides guidance on the auditor's responsibilities in respect of fraud in the audit of financial statements, when it is estimated that the risk of fraudulent financial reporting is increased. Fraud risk assessment is carried out in three basic steps, namely (Abičić, 2014):

(1) in the planning phase auditor carries out procedures to identify and estimate the fraud risk,

(2) in the phase of performing further audit procedures the auditor performes audit procedures in response to assessed fraud risk and considers the risk of fraud when evaluating the evidence collected, and

(3) in the reporting phase auditor communicates recognized risks and express opinion on the financial statements.

Table 1: Fraud Risk Assessment

Planning Phase

- 1. Fraud risk assessment
- **Brainstorming** exchange of ideas, better quality of ideas, emphasize the importance of skepticism
- **Obtaining information** a) inquiries of management, employees and internal auditor about risk assessment, risk management program, risk response, b) analytical procedures, c) observation and verification
- **Assessment of fraud risk factors** consideration of presence of risk factors as defined by fraud triangle (opportunity, pressure and rationalization). Determination of the type of misrepresentation, likelihood, significance and prevalence of the risk.
- **Assessment of risk after testing controls implemented for reduction of possible risks** understanding of implemented controls, analysis of internal controls and efficiency of anti-fraud programs.
- **Identifying high fraud risk areas**-areas in which potential fraud exist

Phase of Performing Audit Procedures

- 2. **Auditor's reaction on assessed fraud risks**- review and modification of initially assessed risk, changes in engagement team, change in nature, time and volume of audit procedures
- 3. **Assessment of audit evidence** - assessment of evidence sufficiency and adequacy, consideration if gathered evidence are consistent with auditor's understanding of client and if there are risks that were not noticed before. In some circumstances auditor can cancel engagement.
- 4. **Documentation**- it is necessary to document performed procedures as part of auditor's working file

Reporting Phase

- 5. **Communication/reporting** - management or those charged with governance and audit committee should be informed about suspicions or actual fraud and internal control weaknesses. Express appropriate opinion about financial statements.

Source: ISA 240; Abičić, S.P. (2014)

The primary responsibility for detecting and preventing fraud belongs to business management and those responsible for corporate governance. What matters most is to take necessary measures for reducing the likelihood of fraud through the oversight and surveillance of those charged with governance of the entity and management. In this process, it is important to focus on persuading individuals to take seriously the likelihood of prevention, detection and punishment of fraud (European Court of Auditors, 2014). This accompanies the creation of a culture of honesty and ethical behavior within the entity (ISA 240, art. 4).

Business entities can greatly mitigate the risk of fraud by reinforcing their internal control processes and methods, their regulatory measures and their moral values regarding the prevention, deterrence and detection of fraud (Nuswantara et al., 2017). However, although such controls, practices and regulations are effective in reducing fraud risk, it is not possible to fully prevent fraud, as there is always the possibility that these obstacles can be breached. In these situations, it is the responsibility of independent auditors in charge of planning and performing the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud. To accomplish this, they should maintain professional skepticism throughout the process. Fraud risk, which is described as the possibility of material misstatements due to fraud in financial statements, needs to be handled carefully by the auditor, in order to ensure that the fraud risk assessment process is implemented effectively (Soltani, 2014).

2.1. Professional Skepticism and Fraud Risk Assessment

The auditor uses the knowledge, skill, and ability called for by the profession of accounting to diligently perform, in good faith and with integrity, the gathering and objective evaluation of evidence (PCAOB-AU-230). The audit is carried out by a person or auditor with sufficient technical training and competence. The auditor's mindset neither assumes that management is dishonest nor assumes unquestioned honesty. In exercising professional skepticism, the auditor should not be satisfied with anything less than persuasive evidence because of a belief that management is honest. The auditor should conduct the audit with a mindset that recognizes the possibility that a material misstatement due to fraud and an abuse of assets could be present. For the critical assessment of audit evidence, the auditor should objectively gather and evaluate audit evidence to examine the competency and sufficiency of the evidence, and professional skepticism should be exercised throughout the audit process (Franzel, 2013).

Professional skepticism is an attitude that involves acting with a questioning approach, being alert to conditions which may indicate misstatement due to error or fraud and conducting a meticulous assessment of audit evidence. For example, junior auditors learn from senior auditors how to act skeptically in certain circumstances. It is not possible to talk about a qualified inspection without taking into consideration professional skepticism (IAASB, 2013).

It is beyond doubt that questioning mind is the most recognized attribute

of professional skepticism. Both European and American auditing standards, thus ISA 200 and SAS No. 82, respectively, indicate that questioning mind is an attitude that defines in most professional skepticism. Many studies in accounting equate this notion with such terms as suspicion, disbelief, doubt, all of which have some aspects of questioning (Nelson, 2009).

As part of the professional skepticism approach towards audit evidence, the following tasks should be executed (Johnstone, 2014):

- Inconsistent audit evidence should be meticulously investigated,
- The reliability of audit evidence should be carefully evaluated,
- The accuracy of documents should be appropriately checked
- The honesty and integrity of third parties and management providing audit evidence should be properly questioned.

It is crucial that auditors practice professional skepticism when identifying and evaluating the risks of material misstatement due to error or fraud, and appropriate evidence should be collected to take necessary actions against the risks identified in this process. The auditor should also use professional judgment to decide how and where to obtain these pieces of evidence. It is therefore important that professional skepticism be maintained when evaluating and analyzing every piece of information obtained in the fraud risk assessment (Wedemeyer, 2010).

Auditors have to assess risks of material misstatement before giving a

reasonable assurance that the audited financial statements are free from material misstatements. Assessment of risk of material misstatement involves auditors having to think, analyze and act professionally particularly during the process of providing assurance that the financial statement is free from fraudulent material misstatement (PCAOB-AS 2401). Auditors' failure to obtain adequate evidence to support their opinion may result in financial statements not giving a true and fair view of the firm performance and financial position. However, auditors only reports about 10% of fraud incidences in companies (KPMG, 2013). Either employees or internal auditors companies uncover most incidences of fraud. Auditors' failure to detect fraud reflects auditors' incompetency, which may impair the public confidence. Pothiniker et al. (2004) suggest that the auditors' ability in fraud detection may be improved by aligning their individual attitude, which is expected to contribute to the development of their action and behavior. The alignment may be developed between attitude toward behavior and the subjective norm, which significantly influences the behavioral intention of fraudulent financial reporting. The focus on the right attitude may improve auditors' effectiveness in dealing with risks of fraud that is significant in influencing the behavior in certain action such as the assessment of risks of material fraudulent misstatement (Armitage & Conner, 2001). Professional skepticism is identified as an important attitude for auditors that improves their ability to assess audit risks (ISA 240). Professional skepticism refers to consistent skeptic attitudes and suspicious of individuals over their judgments until sufficient information or evidence is obtained (Hurtt, 2010). Skepticism occurs

when there is doubt on the information received.

Regarding professional skepticism, the SAS 99, paragraph 13 emphasizes that due to the characteristics of fraud, the auditor's exercise of professional skepticism is important in assessing fraud risks. Professional skepticism is an attitude that includes a questioning mind and a critical assessment of audit evidence. In other words, the auditor should conduct the auditing process with a questioning mindset that recognizes the possibility that a material misstatement due to fraud could be present (AICPA, 2019). The auditor should, furthermore, approach with suspicion all events, regardless of any past experiences with the entity and regardless of the auditor's belief about management's honesty and integrity (PCAOB-AS 2401). Moreover, professional skepticism requires ongoing questioning of whether the information obtained may not be accurate due to fraud risk. In the process of gathering and evaluating evidence, the auditor should never be satisfied with less-than-persuasive evidence because of a belief that management is honest. According to the ISA 240, the auditor's exercise of professional skepticism by disregarding past experience of the honesty and integrity of the entity's management is based on the idea that there may have been changes in the management's circumstances (ISA 240). The independent auditor should follow the procedures cited below when examining the risks of material misstatement due to fraud (Ramos, 2003).

2.2. Auditor Fraud Risk Assessment Process Based on Professional Skepticism

According to the ISA 315, the objective of the auditor is to identify and assess the risks of material misstatement, whether due to fraud or error, in financial statements and management assertion levels, by gaining a full understanding of the entity and its environment, including the entity/client's internal control system, to form a basis for designing and implementing responses to the assessed risks of material misstatement (ISA 315).

The assessment of the risks of material misstatement due to fraud is based on the audit techniques used to collect necessary information and the audit evidence obtained during the audit (ISA 315). In this process, the independent auditor should identify and evaluate the risks of material misstatement due to fraud by applying fraud risk assessment methods based on reasonable assurance when conducting the audit. Moreover, in this process, the auditor should design the audit processes (PCAOB, 2012). Although fraud risk assessment is important at the stage of audit planning, the independent auditor should consider the fraud risk at every stage of the audit process (Payne & Ramsey, 2005). When performing fraud risk assessment, the auditor must determine and design the necessary audit techniques based on his professional judgment. In this way, a response, based on the risk factors identified, is given to fraud risk. In this process, it is necessary to first gather the needed information for determining the fraud risk.

2.2.1. Obtaining the Information Needed to Identify Fraud Risk

Independent auditors are required to obtain sufficient information about the presence of the risks of material misstatement due to error or fraud. During the fraud risk assessment process (AICPA, 2016), the necessary information is obtained using a variety of methods, such as holding interviews within the audit team (brainstorming), investigating how the business is managed (ethical moral values, auditing procedures etc.), identifying risk factors, and examining the analytical techniques and methods used in the entity (PCAOB-AS2310) The information to be obtained in determining and evaluating the fraud risk affects the entire audit process. In this context, the auditor should evaluate the information obtained within the scope of inquiries of management and should discuss it among the auditing team members (ISA 240, art. 14-15). During these discussions, particular focus should be given to how fraud might occur, and how and where the entity's financial statements may be susceptible to fraud. Furthermore, it is important that in these discussions, whatever positive beliefs the auditing team had about the management should be set aside (ISA 240, art. 15). Careful attention should be given to the following issues in audit procedures (Albrecht et al., 2008).

- Making inquiries of the management and other relevant parties within the entity,

- Applying analytical review techniques at the planning and inquiry stages and examining the results,

- Assessing fraud risk factors,

- Evaluating other necessary information.

Within the scope of risk assessment techniques/methods, inquires of management are one of the most important sources independent auditors can draw from for obtaining information. The management assumes responsibility for the entity's internal control and the preparation of its financial statements. In this respect, it is appropriate for the auditor to make inquiries of management regarding the management's own assessment of risk of fraud and the controls in place to prevent and detect it (ISA 240, art.12). Management is in a more comfortably placed position to perpetrate fraud, and therefore when evaluating management's responses to inquiries with an attitude of professional skepticism, the auditor may judge it necessary to corroborate responses to inquiries with other information (ISA 240, art.17). In this process, auditors can increase their effectiveness in determining fraud risk by improving their sensitivity to it and diversifying the resources for determining this risk accordingly (Zimbelman, 1997). In summary, the auditor should question the management's fraud risk assessment and the process it has adopted to determine and respond to fraud risks in the entity.

The independent auditor should conduct interviews with both management and other employees involved in the financial reporting process to. In these interviews, the auditor is able to get the opinions about fraud risk factors from a broad range of persons, including the internal audit officer, operation officer, risk officer, and legal advisor, for the purpose of collecting information to identify the factors and evaluate the effectiveness of the entity's internal controls and the programs it has implemented to discourage or prevent misstatements (IIA, AICPA & ACFE, 2008; CIMA, 2009). In particular, the auditor should also solicit information from those charged with governance and make inquiries about the presence of necessary oversight, the reason being that these inquiries can serve to determine whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity (IAASB, 2013).

2.2.2. Fraud Risk Factors Assessment

The auditor should evaluate whether the results obtained from risk assessment procedures, interviews and inquires indicate the risk of fraud (Dinev, 2012). At this point, fraud risk factors, which are considered warning signs or red flags, as they are referred to in the industry, serve to alert the auditor about possible fraudulent transactions (Gullkvist & Jokipii, 2015). These factors are classified as opportunity, pressure (also known as incentive or motivation) and rationalization (sometimes called justification or attitude) under the fraud triangle approach. Both the ISA 240 and the SAS 99 classify the fraud risk elements regarding fraudulent financial reporting and abuse of assets

into three subgroups: Opportunity, Pressure, and Rationalization (ISA 240, A25).

Hiding fraud often makes it very difficult to notice it. Nevertheless, the auditor can still pick up on whether there are events or conditions that indicate incentives or pressures to perpetrate fraud, and that present opportunities to carry out fraud. Scientific studies have examined various pressure factors, such as predictions, compensation and incentive structures, external financing needs and poor performance (Jessup & Noblet, 2012). Other elements include the attitude or rationalization of those involved in fraud. Cressey (1940) underlines that rationalization is not a process to justify fraud action, but rather, a prerequisite for the crime before it takes place, meaning that it is part of the motivation for the fraud. Circumstances provide an opportunity for fraud to be perpetrated. The absence of controls, in effect, includes ineffective controls, or the lack of ability of management to override controls (Gullkvist & Jokipii, 2015). When determining the risk factors related to fraud, the auditor should consider the sample risk factors specified in the standards that may indicate the presence of fraud. Considering that it is not an easy process to rank fraud risk elements by severity, the auditor should use professional judgment to check the presence of fraud risk elements and whether it will be used in evaluating the risks of material misstatement due to fraud in financial statements (IAASB, 2013). In this process, a thorough understanding of the opportunity and pressure/incentive for the entity's positions exposed to fraud risk is important for fraud risk assessment (Hackenbrack, 1993).

In summary, at this stage, the auditor should evaluate whether the risk assessment procedures performed and the information obtained from related activities contain one or more risk factors. Although fraud risk factors do not explicitly suggest the presence of fraud, it can indicate the presence of the risks of material misstatements due to fraud, as they are often observed in circumstances where frauds have occurred (IAASB, 2013).

2.2.3. Identification and Assessment of the Risks of Material Misstatements due to Fraud

After assessing the fraud risk elements, the auditor should identify and assess the risks of material misstatement due to fraud at the financial statement level and at the assertion level for classes of transactions, account balances and disclosures (ISA 240, art.25). When identifying and assessing the risks of material misstatement due to fraud, the auditor should consider that there are risks of fraud in revenue recognition and therefore evaluate which types of revenue, revenue transactions or assertions engender such risks (INTOSAI, 2018). In particular, material misstatements due to fraudulent financial reporting regarding revenue recognition often result from an overstatement of revenues, which could for example be done through premature revenue recognition or the recording of fictitious revenues. It is therefore important that the auditor focus on fraud risks in revenue recognition (AICPA, 2018)

The auditor should treat those assessed risks of material misstatement due to fraud as significant risks. Accordingly, the auditor must understand and evaluate the controls the entity has in place to mitigate these significant risks (ISA 240, art.27). It is a difficult process to rank fraud risk factors in order of importance, as the significance of fraud risk factors varies widely; however, some of these factors will be present in entities where the specific conditions do not present risks of material misstatement. Therefore, assessing fraud risk factors requires the auditor to exercise professional judgment (Gupta, 2004).

According to the ISA 320 (art.28), when deciding about which risks are significant risks, the auditor should consider the complexity of the transactions, whether the risk is a risk of fraud, whether the risk requires more specific attention, whether the risk involves significant transactions with related parties, and whether the risk involves unusual transactions, and discuss them with other team members.

Professional skepticism should be maintained at an appropriate level at each stage of the audit. It should continue until the auditor reaches evidence that can imply that the risk of fraud is low. On the other hand, the attitude in evaluating the evidence for fraud risk should not differ from initial to subsequent fraud risk assessments (Payne & Ramsay, 2005); this is a reflection of the statement stated in the standard suggesting that the auditor should act skeptically without being affected by past experiences.

2.2.4. Responses to the Assessed Risks of Material Misstatement Due to Fraud

At this stage, the independent auditor determines the general responses to address the assessed risks. Here, the auditor should evaluate how the overall conduct of the audit can reflect increased professional skepticism (ISA 240, art. A33). In this process, it is important that the auditor assign and monitor their team, considering their assessments on the risks of material misstatement due to fraud and taking into account the knowledge, skills and abilities of those to be tasked with significant audit responsibilities. The scope of the assignment should also be based on the qualifications, knowledge and skills of the audit team members (ISA 240, art.34-35). The auditor must assess whether the entity's choice for accounting policies, the management's accounting estimates, and their execution are indicative of fraudulent financial reporting resulting from management's efforts to manage earnings (IAASB, 2013). After this assessment, the auditor should design and perform further audit procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement due to fraud at the assertion level.

The standard allows for some audit techniques to be applied to address the possibility of management overriding internal controls. These are as follows; (SAS 99, art.58-67)

- Examining journal entries and other adjustments,

- Reviewing accounting estimates (those most likely to be biased),

- Investigating significant unusual transactions.

Management is responsible for making the accounting estimates regarding financial statements. The independent auditor is responsible for evaluating the reasonableness of accounting estimates made by management in the context of the financial statements taken as a whole (ISA 540, art.6). As estimates are based on subjective as well as objective factors, it is difficult to determine the bias of management and to audit the estimates (ISA 540, art.9-10). In this process, it is necessary to employ an expert to develop an independent estimate to compare with the management's estimate. The scope of inquires needs to be expanded to include persons outside the management and accounting department, in order to verify the management's ability to implement plans to make the relevant estimates (ISA 240). Management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and to prepare fraudulent financial statements by overriding established controls that otherwise appear to be operating effectively. This risk exists in all entities. Due to the unpredictable way in which such overrides could occur, management's override of controls poses a risk of material misstatement due to fraud and thus is a significant risk. The auditor should design and apply audit techniques, irrespective of their assessment of the risks of management override of controls (AICPA, 2018).

2.2.5. Communications with Management and with Those Charged with Governance

According to the ISA 260, in cases of fraud, regardless of whether it caused a material misstatement in the financial statements, or its effect on the financial statements is not significant, the independent auditor should report the event to appropriate levels of management (ISA 260, art.16.). In other words, if the auditor obtains evidence that the fraud has occurred, the event should be reported to the management regardless of its level of importance (CIMA, 2009).

Both the SAS 99 and the ISA 240 do not restrict the auditor from reporting fraud to a party outside the client entity, so long as it is in accordance with the auditor's professional duty to maintain the confidentiality of client information. However, as the auditor's legal responsibilities differ by country, the laws and regulations may go beyond the auditor's confidentiality duty in some cases where the auditor may be mandated to report fraud to legal authorities (IAASB, 2013). In summary, if the auditor has detected a fraudulent act, the auditor should communicate this matter on a timely basis to the appropriate level of management. If the suspected fraud involves management, the auditor should communicate the matter as appropriate to those charged with governance. If the auditor has doubts about the integrity of those charged with governance, the auditor should then seek legal advice regarding an appropriate course of action (Kaplan, 2012).

2.2.6. Documenting the Auditor's Consideration of Fraud

The auditor should document all stages of the audit on a basis of professional skepticism, starting from planning and including fraud risk inquiries, audit techniques applied, and fraud risk detected. The information obtained by performing risk assessment procedures and related activities may be used by the auditor as audit evidence to support assessments of the risks of material misstatement (Ramos, 2003). According to the ISA 315 and the SAS 99, the auditor's documentation of fraud risk should include the followings:

- The decisions taken in brainstorming sessions with the audit team members regarding doubts about the entity's financial statements,

- The identified and assessed risks of material misstatement due to fraud at the financial statement and relevant assertion levels,

- Details of the identified risks of material misstatement due to fraud and the auditor's responses to these risks,

- Information on additional audit procedures implemented by the auditor to identify the risks of material misstatement due to fraud.

CONCLUSION

The reliability and transparency of financial information is important for the efficient operation of capital markets. Recent financial scandals and corporate collapses have called into question audit practices. Following these scandals, studies have examined the issue of "quality" in auditing. The bankruptcies of large enterprises, which started in the 2000s, especially decreased confidence in independent auditing, leading to a crisis of trust for the parties benefiting from the audit services. In order to satisfy the needs of financial statement users, auditors were expected to focus more on fraud awareness and professional skepticism in audit methods. The focus of the accounting and auditing professions has changed due to corporate scandals. Issues like transparency of financial markets, effectiveness of independent audit, access to reliable and quality information, and corporate professional ethics have been hotly debated. As a result, the duties and responsibilities of independent auditors in fraud detection have been questioned. One of the issues discussed has been the professional skepticism among auditors. There have been criticisms that auditors have not adopted a robust skepticism approach in the fraud risk assessment process. In this context, as fraud is highly likely to cause significant distortions in financial statements, several standard regulatory agencies (such as IFAC, AICPA) ask independent auditors to handle it more carefully in financial statement audits. A number of principal auditor responsibilities have been introduced to restore confidence in the audit profession and auditors. One of these

responsibilities is that auditors apply professional skepticism when performing their tasks. The fraud risk assessment process has been reorganized and expanded to highlight professional skepticism in auditing standards. Enhancement of the exercise of professional skepticism by the standards requires auditors to obtain more audit evidence by focusing on risky areas and expanding the audit procedures they apply.

In summary, reasonable assurance is considered a high level of assurance, but not an absolute one. Therefore, the quality of an audit is important in this regard. When the process that auditors follow and their responsibilities regarding fraud are examined, it is clear that auditors should maintain professional skepticism throughout the entire process to effectively evaluate fraud risk and thereby help minimize the risks assumed by information users.

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CHAPTER 6

ECONOMIC DETERMINANTS OF FOREIGN PORTFOLIO INVESTMENTS: CASE OF TURKEY

Research Assistant Gökhan KONAT[1]
Research Assistant Dr. Mehmet TEMİZ[2]

[1] Inonu University, Department of Econometrics, Malatya, Turkey, gokhan.konat@inonu.edu.tr
[2] Firat University, Department of Economics, Elazig, Turkey, mtemiz@firat.edu.tr

INTRODUCTION

Increasing financial liberalization and technological developments in recent years accelerate the capital flows towards developing countries. Developed countries, with their strong economic and financial structures, offer investors the opportunity to invest with low risk. However, as the profit margins are narrow in these low-risk markets, the rate of return is low, too. Domestic investors of developed countries tend to invest in the developing markets where they will get higher returns.

Foreign portfolio investments represent the investments made by saving holders in foreign capital market instruments, in the form of debt and stocks issued by the companies or the government, in order to gain profit. (Gülmez, 2015: 140). Foreign portfolio investments as a form of international capital movements bring several advantages to developing countries like; increasing the competitiveness of financial sector, diversifying investment opportunities of savings holders and increasing efficiency (Terzi, 2013: 595). On the other hand, the management of these speculative investments is an important issue. If this kind of investments can not managed properly by authorities; negative results occurs as overheating of economies, instabilities in exchange rates and finally large outflows of capital from country (Lopez-Mejia, 1999).

One should consider both the benefits of portfolio investments to the growth and development of a developing country and losses of them in the case of unfavourable conditions. So, it is important to identify the factors that determine these investments to developing countries like Turkey. The aim of this study is to investigate foreign portfolio investments and their relationship with several macroeconomic variables. In this direction, causal relationship between the various variables associated with foreign portfolio investments held in Turkey between the years 1986-2018 is going to be analyzed.

In the first section of the study, the studies in the literature are included. In following section; data, methods used in the study and findings will be presented. Finally, conclusions and evaluations are given.

1. RELATED LITERATURE

When the literature on the issue is examined; past studies about the determinants of foreign portfolio investments in Turkey as follows. Name of the authors, the country and time period analyzed, the econometric methods used and the findings are listed in the following table:

Table 1: Literature Review

Authors	Country /Time Period	Methods	Findings
Pazarlıoğlu & Gülay (2007)	Turkey 1992Q1-2005Q4	ARDL and Bound Test	Results revealed a significant relationship between real interest rates and foreign portfolio investments.
Korap (2010)	Turkey 1992-2009	SVAR Model	Domestic real interest rates as a "pull" factor, has a negative impact on portfolio investments.
Yıldız (2012)	Turkey 1999-2009	Multiple Regression Analysis	Results showed that; inflation, growth rate, BIST and Dow Jones indexes have effect on portfolio investments.
Gümüş et al. (2013)	Turkey 2006-2012	VAR Granger Causality, Impulse Responses	Industry prodoction index affects portfolio investments, while reversely portfolio investments affect BIST index and exchange rates.
Pala & Orgun (2015)	Turkey 1998-2012	OLS with structural break	Domestic interest rates, GNI and current account balance affect portfolio investments positively.
Şenol & Koç (2018)	Turkey 2006Q1-2016Q4	VAR Model	There are reactions from FPI to BIST, interest rate and exchange rate. Also response from exchange rate to FPI existed.

As we can see from the table, different factors come to the forefront in the studies using different time intervals and econometric methods for Turkey. Interest rates stand out as an important determinant of portfolio

investments. However, the direction of impact varies. In addition, exchange rate and BIST index are also important determinants.

2. DATA, METHODOLOGY AND FINDINGS

In this part of the study; information about the data and methods used and finaly findings of the study is examined briefly.

2.1. Data

In the study, the relationship between foreign portfolio investment and macroeconomic variables as; per capita GDP, inflation rate (CPI), foreign trade deficit, openness ratio and interest rate for Turkey were investigated. Annual data within the period of 1986-2018 is used. Series examined in the analysis are obtained from the website of CBT Electronic Data Distribution System (EVDS) and Turkey Statistical Institute (TÜİK).

2.2. Methodology

Followed phases in the study and explanations about the methods used are as follows:

Firstly, the stationarity of the series is examined by the Augmented Dickey-Fuller (ADF) unit root test. After the stationary test, Toda-Yamamoto Causality Test is going to be applied to the series for determining the causal relationship between variables.

Dickey-Fuller (1979) unit root test, which forms the basis of unit root tests, is based on the assumption that there is no autocorrelation in error terms. Dickey and Fuller (1981), taking this deficiency into consideration, included the lagged values of dependent variable into Dickey-Fuller(1979) unit root model. Thus, they aimed to eliminate the problem of autocorrelation. Model is as follows;

$$\Delta Y_t = \delta Y_{t-1} + \sum_{i=1}^{m} \alpha_i \, \Delta Y_{t-i} + u_t \tag{1}$$

Model A (model without constant and trend)

$$\Delta Y_t = \beta_1 + \delta Y_{t-1} + \sum_{i=1}^{m} \alpha_i \, \Delta Y_{t-i} + u_t \tag{2}$$

Model B (model with constant)

$$\Delta Y_t = \beta_1 + \beta_2 t + \delta Y_{t-1} + \sum_{i=1}^{m} \alpha_i \, \Delta Y_{t-i} + u_t \tag{3}$$

Model C (model with constant and trend)

Accurate determination of the appropriate delay length is important. Incomplete identification may cause the autocorrelation problem to continue, and over-detection may lead to deviant and inconsistent results. So, appropriate lag length must be determined by using information criteria. The hypothesis formed for the Augmented Dickey Fuller (ADF) unit root testing procedure are as follows:

$$H_0: \delta = 0, \quad Series \; has \; unit \; root$$

$$H_1: \delta < 0, \quad Series \; is \; stable$$

Causality test created by Toda-Yamamoto (1995), is a basic approach based on estimating improved vector autoregressive models (VAR). They used extended VAR established at level values in forming the causality test. The first step of the Toda-Yamamoto (1995) test procedure is to determine the appropriate delay level (*p*) in the VAR model. In the next step, the highest integrated degree of integration *(dmax)* is summed to the delay *p*. Information criteria is used to determine the appropriate lag length. In the final step, the OLS model is estimated on the level values of the series for the delay length *p+dmax*. VAR model developed by Toda and Yamamoto (1995) is applied with the help of the following equations:

$$Y_t = \lambda_1 + \sum_{i=1}^{p} \beta_{1i} Y_{t-i} + \sum_{j=p+1}^{p+dmax} \beta_{1j} Y_{t-j} + \sum_{i=1}^{p} \alpha_{1i} X_{t-i} +$$
$$\sum_{j=p+1}^{p+dmax} \alpha_{1j} X_{t-j} + u_{1t} \tag{4}$$

$$X_t = \lambda_2 + \sum_{i=1}^{p} \delta_{2i} X_{t-i} + \sum_{j=p+1}^{p+dmax} \delta_{2j} X_{t-j} + \sum_{i=1}^{p} \vartheta_{2i} Y_{t-i} +$$
$$\sum_{j=p+1}^{p+dmax} \vartheta_{2j} Y_{t-j} + u_{2t} \tag{5}$$

Toda and Yamamoto (1995) have an asymptotic χ^2 distribution of the MWALD test in a VAR system of (*p+dmax*) degree to be estimated. The null hypothesis is establihed to test for the presence of Granger causality from Y to X.

2.3. Findings

Results of the tests applied will be listed by the help of the Table-2 and Table-3.

Table 2: Augmented Dickey Fuller Unit Root Test Results

Variables	ADF Test Statistic	Critical Values		
		(%1)	(%5)	(%10)
py	-1.093 (6)	-4.356	-3.595	-3.233
Δpy	-5.250 (5)***	-4.356	-3.595	-3.233
kbgsyih	-2.006 (3)	-4.310	-3.574	-3.222
$\Delta kbgsyih$	-5.085 (0)***	-4.285	-3.563	-3.215
dao	-4.298 (1)***	-4.285	-3.563	-3.215
dta	-1.489 (0)	-3.654	-2.957	-2.617
Δdta	-6.730 (0)***	-3.662	-2.960	-2.619
enf	-0.949 (1)	-3.662	-2.960	-2.619
Δenf	-8.094 (0)***	-3.662	-2.960	-2.619
fo	-1.069 (3)	-2.647	-1.953	-1.610
Δfo	-2.268 (2)**	-2.647	-1.953	-1.610

Note: In terms of level values and first differences, fixed term models were used. Values in parentheses indicate the appropriate delay length of the variables. ***,** and * shows respectively the significance for %1, %5 and %10 levels.

Δpy, Δfo, Δdta, Δenf and *Δkbgsyih* are respetively the first-order difference values of foreign portfolio investment, interest rates, foreign trade deficit, inflation and gross domestic product per capita. dao is the abbreviation for the series of openness ratio. According to the ADF test results on Table-2, dao variable has stationary at the level, I(0) and other variables has first order stationary, I(1).

Table 3: Toda-Yamamoto (1995) Causality Test Results

Causality Direction	Prob. Values
PY↛DAO	0.7364
DAO↛PY	0.1505
PY↛DTA	0.1054
DTA→PY	0.0340**
PY↛ENF	0.3637
ENF↛PY	0.8085
PY↛KBGSYİH	0.4606
KBGSYİH ↛PY	0.2985
PY↛FO	0.4746
FO↛PY	0.8578

Note: ***, ** and * shows respectively the significance for %1, %5 and %10 levels.

According to the Toda-Yamamoto Causality Test results, there is a causality from foreign trade deficit to foreign portfolio investments, at %5 significance level. There is no significance relation between other variables and foreign portfolio investments.

CONCLUSION

By this study, causal relation between foreign portfolio investments through Turkey and their macroeconomic determinants has been investigated. ADF test results showed that, portfolio investments, per capita GDP, inflation rate (CPI), foreign trade deficit and interest rate variables were observed to be stable after taking their first differences, while the openness ratio series were observed to be stable at the level. As a result of the Toda- Yamamoto causality analysis, one-way causality relationship was determined from foreign trade deficit to foreign portfolio investments.

Foreign trade deficit shows the need for foreign financing for the host country. Significance causal relation between foreign trade deficit and portfolio investments, confirms the relationship described above. The fact that there is no significant relationship between interest rates and portfolio investments shows that high interest rates alone are not enough to attract investment inflows to a country.

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CHAPTER 7

ETHICAL LEADERSHIP AND ITS EFFECT ON HAPPINESS

Dr. Râ'na ÖZYURT KAPTANOĞLU[1]

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[1] Dr. İstanbul Türkiye ranaozyurt77@gmail.com

1. INTRODUCTION

The rapid developments around the hospitals together with international competition, globalization and changes in patient expectations drive health institutions to use new methods and techniques. In the study, especially the ethical leadership in the management and the effect of this application on the happiness of the staff members were examined. Many definitions have been made on the concept of ethics. While a group ethics investigate the types of the ethical standards that people have to obey, the other group ethics is the explanation how people should behave rationally and the systematic explanation of the behavior limits. The concept of ethical leadership is based on Bandura's Social Learning Theory. Ethical leadership is defined as a leadership approach based on making balanced and correct decisions, being honest, acting according to the principles, and taking care of the work. Although happiness is examined in different disciplines, it is included in the literature with definitions that are close to each other and completely human-oriented.

In the study, the concepts of ethics, ethical leadership, and happiness were reviewed in the literature. The measurement was conducted with the participation of the staff members of ABC State Hospital. All hospital staff members providing health service directly and indirectly were included in the study. A total of 380 questionnaires were applied by using convenience sampling method and 376 questionnaires were validated.

Two separate measurements were made and the correlation between two measurements was investigated. Firstly, the ethical leadership dimension of the ABC State Hospital was examined, the happiness degree of the staff members was measured in the second stage, and the correlation between happiness and ethical leadership was investigated in the final stage.

2. HAPPINESS

When the literature is reviewed, happy is referred as "lucky, fortunate, felicitous, elated" and the happiness is referred as "being happy, felicity, good fortune" (Doğan, 2009). The concept of happiness has been explained in many different forms in many disciplines. Happiness is the pleasure that forms as a result of reaching to all wishes continuously and completely. Happiness which is the status of being well subjectively is the sum of the positive emotions forming as a result of life satisfaction of the individuals. It is important to see life as a whole in reaching happiness. The ability to identify consciously what exists, to see the universe good and pleasant, to preserve positive aspects, to get away from the negativities, and to adopt all the contradictions in existence as the reality of being means to reach happiness.

According to Aristotle, happiness is knowing the value of what you have. According to the famous philosopher, every individual wants to attain happiness and happiness for a person is essential. However, happiness is not having what you want but to be happy by knowing

the value of what you have got (Saygılı, 2015). From psychological aspect, happiness is knowing that all the events which are happening are actually chosen by the individual him/herself and constantly remembering those by being aware of the positivity in his/her life. In other words, being happy and unhappy is related to the person him/herself.

One of the existence purposes of human beings is happiness. This purpose not only provides a better life reason for people, but also motivation (Özgen, 2007). It cannot be asserted that happiness has full meaning and rules.

2.1. Happiness Studies in Different Disciplines

People have tried to understand, explain and obtain happiness throughout their lives. The concept of "happiness" has been investigated by philosophers, psychologists, and sociologists and tried to be explained with different definitions. According to philosophers, happiness is a phenomenon guiding individual actions highly and ultimately. And philosophers have put forward many views on how happy life should be (Kangal, 2013).

One of the first authors studying about happiness which is also called as well-being subjectively in the literature is Wilson. Wilson's first study was his doctoral dissertation written in 1960. The author then drew the profile of a happy person in his study conducted in 1967 and made determinations which still remain valid today in this sense. One of the first and most obvious determinations of the author is that the

person who is in the most advantageous position is the happiest one (Diener, 1884, Cited by Canbulat and Çankaya, 2014).

Another author who has famous works on happiness is Diener. The ideas of the author who presented the philosophy of "happiness is the opposite of unhappiness and the elimination of the pain gives pleasure" were criticized even at that times (Yetim, 2001). In these years, both behavioral scientists and social scientists have started experimental and theoretical studies on the subject.

According to Farabi, happiness is the aim each individual desires (Özgen, 2007). According to Aristo, the concepts related to the happiness are living good and doing good. Perspective brings along some questions as well. What is a good life? How can be a good life obtained? In this context, a good life should be specified as the main goal of the lifestyle of mankind.

Psychological science focuses more on the unhappiness rather than the happiness. Happiness allows not only people to feel nice and positive emotions but also provides positive contributions in many fields to the person's life. The results of many studies in the literature join in the same common points. Happiness is a concept that strengthens people's immunity, increases their energy, allows them to be loved and chosen in social life, affects the productivity positively at work, and prolongs the life expectancy (Sapmaz and Doğan, 2012).

The concept of happiness is based on three elements. The first one of these elements is subjectivity, that is, the person measures the status of

being happy by his/her own perspective and it is an experience of the person reporting that he/she is happy. The second element of happiness is based on measurement. In other words, happiness has less, medium and more forms and it deals with the effects causing the difference between them. Happiness is not only being not in depression. The third element is the measurement of well-being by addressing a person's life as a whole (Kangal, 2013).

In this context, it can be asserted that happiness has three basic dimensions. These are positive/negative emotions and life satisfaction. While the life satisfaction is the judicial component of happiness, positive/negative feelings are the emotional component of the happiness (Öztekin, 2016). Positive feeling represents positive emotions such as joy, cheer, pleasure etc. Negative feeling represents negative feelings such as grief, sorrow etc. The life satisfaction is about how a person evaluates his/her life when it is considered as a whole.

2.2. Factors Affecting Happiness

Gender: According to the researchers such as Wilson and Diener, the factor of gender has no contribution on the happiness level of a person. That is, both genders can be happy. On the contrary, researchers such as Haring and Wood have concluded as a result of their studies and analyses that the factor of gender is an important factor. As a matter of fact, according to the obtained results, women have higher happiness level than men (Kangal, 2013).

Age: As gender, this factor was also evaluated in different and opposite aspects. According to some authors, as age increases, psychological breakdowns begin and the happiness decreases. According to some authors, people have a happier structure due to the reasons such as achieving more, earning more, and having high level experiences when they reach older ages.

Education: Since a person with high educational level is accepted within the society in terms of self-appreciation and self-confidence, he/she feels happier psychologically.

Marriage: Studies conducted so far have shown that married couples are happier than single or widowed individuals and the marriage has a positive and significant effect on happiness.

Income: The certain result found in the conducted academic studies is that there is a significant correlation in the same direction between the average income level and the happiness level in the communities (Köksal and Şahin, 2015).

Personality: Personality is the most consistent and powerful predictor of being happy. Happiness is highly related to the personality traits such as extrovert, optimistic, and self-respect (Kangal, 2013).

3. ETHICS

In general meaning, ethics not only analyzes today's values but also evaluates the situations of the past and determines the rightness and

falsity limits in people's behaviors. Additionally, it is a discipline allowing determining the people's moral limits by considering their position in the society (Ataklı 2016).

When examining the etymological root of the concept of ethics, it comes from Greek word "ethos". Ethos means temperament. It is the concept dealing with what the values to be adopted should be and with the responsibilities of the people to others (Aslan 2013). In other words, ethics refers to situations limiting the connections between the norms and individuals and the situations the individuals are responsible for compared to the other people. Therefore, the things occurring when the moral rules are evaluated according to the principles in the mentioned issues are thought be appropriate for the ethical values (Tuna et al., 2012).

The history of the ethics concept dates back to the history of the society. In other words, ethics appears in many areas along with the existence of the people. For example, one of important points in the political and management issues has been ethics. It is a concept that considers the moral structures in the managed ones as well as the managers about management subject (Kayaer, 2013).

The purpose of ethics is shown as finding the ways to be happy in correct way mentally and the effort to find an understanding of living a more peaceful life. The purpose of the ethics signifies the efforts shown in the way of becoming a perfect society with others in the organizations that provide justice (Aslan 2013). At this point, ethics

have two types of purposes. While the first one is being virtuous, honesty person, the other one is about drawing the boundaries determining and limiting the life style of the person (Tuna et al., 2012). When the concept of ethics is examined in a broad perspective, it is a complex concept that is related to morality, custom, tradition, cultural values and along with the laws and norms. In other words, ethics is the stage of the society to adapt and create the life conditions that are appropriate to human values. Ethical rules must be also applied at all times and under all conditions (Yatkın 2008). In the light of the data, the phenomenon indicating that the ethics is a general concept along with discovering the differences of all societies has brought to light (Sakarya and Kara, 2010).

3.1. Managerial Ethics

The concept of managerial ethics aims to make moral decisions by people in the organization. In other words, it is the effort of the staff members and managers to make the distinction between the good and bad and preferring the good one at the decision points (Saylı and Uğurlu, 2007). The concept of managerial ethics requires being fair, equitable, realistic and rational when making management decisions and showing respect to the followers within the group (Ataklı 2016).

3.2. Professional Ethics

Professional ethics concept is defined as a whole of principles and rules that every person working in a certain profession needs to obey (Yatkın 2008). While ethics is more universal, morality is more

actional. While the moral rules are those which are not written or placed in mind socially, the professional ethics codes are the written form of the limited rules of the profession (Ataklı 2016).

Problems in professional ethics are specific to that profession. It tries to answer the question of what can be done without spending any value or with spending the least value for a particular situation. Professional ethics require scientific and technical knowledge within each profession (Adıgüzel et al., 2011). It is in the effort of giving some sort of answers on the truths of professional activities (Aydın 2012).

Professional ethics is the whole set of standards that determine the individual requests of the staff members required to be directed positively of the behaviors made for the profession and prevent them not to obey the rules, regulate the staff members' targets in the profession, and eliminate the staff members who fall outside the ethical standards (Aslan 2013). In the modern world order, every profession has its own set of rules. Each profession has its own rules and norms. Professional ethics is the process of creating rules for the work environment starting with the behaviors of the staff members at work (Ataklı 2016).

3.3. Organizational Ethics

When examining the organization concept during investigation of the organizational ethics, the organization is defined as a structure formed by the people coordinated and planned before in accordance with the

determined purposes and to achieve those purposes (Koçel 2011). In this context, the concept of ethics in the organization is the whole of the rules expressing the changes of the staff members in the formal structure and the rules causing to gain these behaviors, guaranteeing to the followers by the organization, and indicating that they are taking the responsibilities of the followers (Aydın 2012).

Another ethics-related variable in the study is leadership and in this sense it is important to examine the leadership in terms of conceptual and theoretical aspects.

4. LEADERSHIP

The concept of leadership is a concept that has emerged with the existence of mankind. Information about the concept of leadership in the views of Plato and Aristo was given between 300-400 B.C. (Aslan 2013).

The concept of leadership is about being the whole of the complex relationship in recent times. It is also a part of a whole when it is thought as a team philosophy. In other words, the leader affects the ideas and actions in the group and guides them towards the goals of the organization and take the support of followers to enable everyone to function within the team game (Koçel 2003).

The basic feature distinguishing a leader from the followers is that the leader is the one who sees. In other words, the leader is the person who sees the main picture rather than a piece. It can be said that this

ability of the leader is to discover the points that nobody can see (Aslan 2013). The leader is the person who reveals and sees the innovation in terms of market and has the emotional intelligence (Durmuş 2015).

The leader can be defined as a person who is influenced by the group members and takes their needs into consideration and develops a strategy in this context, and influences the group members in these directions, collects their energy in one point and canalizing them into the desired direction (Gökçe and Atabey 2001). Thus, leadership as a process is accepted as the art of affecting human behaviors in the direction of certain goals or to reach the determined goals (Doherty and Purtilo, 2015).

The leader is the one who has the ability to direct the community in which he/she is in, gives energy to the community or the group in which he/she is in with his/her works and thus directs the community or the group in accordance with his/her desires and expectancies (Yaman, 2010). Based on this, a leader is defined as the one who is not only a leading, pioneer, teacher and enlightening person but also has emotional intelligence to understand the needs and desires of his/her followers in advance and produces solutions to the problems he/she saw right away and takes critical steps in understanding and solving the problems of the society (Aslan 2012). In other words, the leadership is defined as the art of directing the followers to previously determined goals and objectives. The ability to influence and direct

the followers in leadership has appeared as important (Gökçe and Atabey 2001).

Many definitions have been made in the literature on the above-mentioned definitions of leadership. The common point of all definitions is defined as the ability and art for directing the followers by leaders.

4.1. Leadership Theories

It is possible to summarize the approaches related to leadership in five groups, namely, the traits approach of leadership, behavioral approach, contingency approach, modern leadership approaches, and alternative leadership approaches (Aslan 2013).

4.1.1. Traits Approach of Leadership

In the early 1940s, the idea that leaders had some traits was profound at the top of the opinions that were dominant on leadership. For example, it was accepted that everybody in the group or society do not have the traits like being intelligent, physical characteristics, leader's energy etc., and only the people who can be a leader carry these features (Aslan 2012)

 In the characteristic approach of leadership, it is accepted that the leaders have some traits with the idea that "you cannot be a leader, you born as a leader" from the old Roman and Greek sources (Aslan

2012). "The Great Man Theory" by Thomas Carlyle in 1910 should be seen as a realistic step on the traits approach.

In 5% of the studies conducted on the approach of traits of a leader, traits such as self-confidence, being healthy, general perspective view, high socio-economic background were listed among the leadership traits (Aslan 2012). In the past years, it has been claimed that the leadership ability can be understood by investigating the handwritings, skull forms and backgrounds but meaningful results could not be found in the studies (Özgen 2003).

Today, the studies conducted on the traits approach of leadership have maintained their currency. However, in today's studies, work-related features have been emphasized rather than the personal traits of the leadership. These work-related features include the topics like the ability of human relationships, technical ability, and good speaking skills (Koçel 2003). In addition, some scientists have defended that the leader should have emotional intelligence among the characters a leader should have (Gökçe and Atabey 2001).

4.1.2. Behavioral Approach

Behavioral approach is not based on the traits that the leader has but it is basically based on the understanding that the leadership of a person arises by how he/she treats his/her members, that is, followers. In other words, the leader has different behavioral patterns from the followers and emerges as a result of these patterns (Aslan 2013).

In the behavioral approach, it is emphasized which one of "human-focused" and "work-oriented" behavior patterns is influential on leadership. With this understanding, investigating only the effects on leadership and not including the process and followers in the process have suggested the contingency approach (Aslan 2012). The behavioral approach deals with the relationships of the leaders with his/her subordinates and followers with the previously determined activities. The basic philosophy of this approach is the understanding that it determines effectively and successfully the behaviors that make a person a leader (Doherty and Purtilo, 2015).

4.1.3. Contingency Approach

The contingency approach is an approach suggesting that there will be no single leadership behavior under any condition. In other words, it is a situation where the leader choose an appropriate leadership behavior or model by considering the circumstances and conditions the leader is in (Saylı and Uğurlu, 2007 2015).

In the contingency approach, the appropriate leadership model should be selected by considering the organization structure, the number of followers and the environmental conditions. In this respect, some theorists have argued that the use of the "participatory leadership" model in situations where subordinates are participatory, well-educated, and loyal to organization would otherwise be appropriate to implement the "Autocratic Leadership" style (Aslan 2013).

According to contingency approach, the traits of the stated purpose were adopted as the fundamental variables affecting the talents, skills and expectations of the group members, the situation and traits of the organization, and the leadership behaviors of the leaders and followers. The success and effectiveness of a leader depend on the leadership understanding he/she shows around the situation he/she is in (Özgen 2003).

4.1.4. Modern Leadership Approaches

In the historical process of leadership, modern leadership approaches have been developed following the Traits Theory, Behavioral Approach, and Contingency Approach. In these modern management approaches, the future strategy of leadership behaviors has come to an important place (Aslan 2013). While the leadership approach for the future is explained with Visionary Leadership, the leadership for evaluating today's conditions and saving the day is explained with Interactive Leadership, the leadership focused on the change is theorized as Transformational Leadership (Özgen 2003).

4.1.5. Alternative Leadership Approaches

In additions to the traits approach for leadership, behavioral approach, contingency approach, modern leadership approaches, there are leadership approaches accompanying different opinions. These approaches are seen among the alternative leadership models (Aslan 2013).

5. ETHICAL LEADERSHIP

With the impact of globalization, civil society organizations have emerged to meet the current needs of all parties. With the emergence of these non-governmental organizations and the democracy tendency in the world, the social responsibility trends in institutions have increased and the concepts of ethical behavior and ethical leadership have begun to be questioned (Aslan 2013).

While the financial scandals experienced during the development of ethical leadership trigger the distrust to the leader, they have emerged the concept of ethical leader. Therefore, today the ethics that increases the reliability of the leader come to the forefront very much. In the leadership definitions made, it was emphasized that leaders should have ethical values (Aslan 2012).

The concept of ethical leadership is based on Bandura's Social Learning Theory. Ethical leadership is defined as a leadership approach based on taking balanced and correct decisions, being honest, acting according to the principles, and taking care of the business (Özgen 2003). Ethical leadership is the normative processing of personal activities and follower-leader, leader-environment relations. In such functioning, two-way communication and common participation in taking decisions exist (Koçel 2007). Ethical Leadership motivates the ethical elements and means the organization's adopting its social responsibilities (Gökçe and Atabey 2001).

Another point that needs to be mentioned is the understanding that the ethical leaders come from the societies acting ethical and applying morality codes. Because, if people behave ethically in a society, ethical organizations will be formed by ethical thoughts and behaviors. Ethical leaders will also lead these organizations (Özgen 2003).

The basic understanding of the ethical leadership is that the ethical circle helps the leadership while at the same time it helps to ethical behaviors. In addition, a leader is the most important person who is responsible for the management of the organization with ethical principles (Özdemir 2003). Because the leaders are exemplary to their followers, they must behave ethically and behave in the right way. They should support and guide their followers to do the right things. They should be careful in applying neutrally ethical standards to all the followers equally (Yatkın 2008).

Ethical behaviors and attitudes of the leaders will ensure the formation and institutionalization of business ethics. It will ensure the formation of ethical values of the leader and followers in the organizational culture. Thus, the concept of organizational ethics will be created (Aydın 2012). The organizational ethics is defined as the discipline and art applying ethical rules in producing solutions to complex ethical dilemma in the workplace. By definition, ethical and moral concepts are used together (Koçel 2003).

Moral and ethical concepts have not only many common features but also some different characteristics. While morality have put into actions during the historical process which means it contains the experiences, ethics covers the experiences as a philosophy (Özgen 2003). The concept of morality tries to raise the awareness of the society about how to behave in the social sense. The concept of ethics is related with the morality but shows a global characteristic and determine mostly the standards dealing all questions in very general way (Yatkın 2008).

An opinion indicating four different Ethical Leadership styles in Ethical Leadership has appeared (Aslan 2013):

Manipulative Leadership Style: It is a leadership style where power is actively used but is avoided by fraudulent and unnecessary use. Its emergence is based on Machiavellianism philosophy. This approach is based on accepting things that are not true for personal gain. In Manipulative leadership style, there is about fraudulent avoidance (Aslan 2013).

Bureaucratic Leadership Style: It is an ethical leadership style based on norms. This style tries to make decisions based on rational rules and criteria (Koçel 2007). Professional Leadership Style is the Ethical Leadership style that emerged from the opinion that the work is not done with any non-ethical techniques based on the social agreements between the organization representatives and the organization managers (Özdemir 2003). The Transformational Leadership Style is

based on the personalization of the philosophy of ethics. It attaches importance to the authorization and empowerment of staff members (Aydın 2008). The leader acting ethical will provide the implementation of the above ethical styles to the organization. Ethical behavior will provide confidence in the organizational culture and confidence in the organization will lead to the increased productivity (Aslan 2013). Failure to create a trust environment can cause staff members to avoid innovations (Yaman, 2010).

Ethical leadership has a part related to the feelings. It is not possible for the leader to remove emotions during the ethical decision-making process (Yaman, 2010). Many researchers have investigated the relationship between ethical leadership and emotional intelligence, and as a result of this review, it has been found that the quality of moral judgment is very sensitive to emotions. It has been therefore seen that the leader is affected by his/her emotions during the decision making process (Özdemir 2003).

Finally, being an ethical leader is also about being an adult, being adult is to get the ability to do business, and it is also related to carrying out operations without the need of someone else's approval (Aslan 2013).

5.1. Dimensions of Ethical Leadership

There are three different dimensions of ethical leadership. These are: "Service Oriented / Servant Leadership", "Authentic Leadership", and "Principle-Centered Leadership" (Aslan 2013).

It is necessary to define servant leadership about the Service Oriented / Servant Leadership dimension. Many definitions have been made on this subject. In general sense, it is defined as the leadership model considering the cooperation, trust and staff members as well as the use of authorization and responsibilities in ethical way (Aslan 2013). According to another definition, it is defined as the ability to influence people for common good in allowing working with enthusiasm for the specified goals (Özgen 2003). It is emphasized in servant leadership that voluntary serving to the followers is expressed as the effort of leader on their successes. In other words, it is expressed as being in the event before the followers and working personally in order to take the organization one step further (Özdemir 2003). Another important point in servant leadership is the stewardship philosophy. This philosophy is that the Leader serves the interests of others before his/her own interests. In other words, the leader considers the interests of the organization first before his/her own interests (Özgen 2003).

Authentic Leadership stands out as another dimension of Ethical Leadership understanding. Authentic means reliable, credible, and genuine. The word authentic is usually used in the original, sincere, and candid meanings (Özdemir 2003). Many definitions have been made on authentic leadership. As one of these definitions, authentic leadership constitutes the trust dimension of ethical leadership. According to this approach, one considers the prosperity of his friends, family and community more important than himself/herself (Aslan 2013). According to another definition, authentic leadership is

defined as being self-aware and sincere. It is also being transparent, trustworthy, and honest about the expectations, taking the needs of different stakeholders into account, and having high moral capacity (Yatkın 2008). An important element of authentic leadership requires to have reliability and high emotional intelligence (Aslan 2013).

Another dimension of ethical leadership appears the principle-centered leadership. Principle- centered leadership is based on the fact that the individual does not violate the laws, even if he knows he will not be punished (Özdemir 2003). Four factors related to principle-centered leadership have been identified. These factors are shown as: Security, Guidance, Wisdom, and Power. Security is the perception of being valuable. Wisdom is the way of life perception. Power is the ability to have an emotion about serving by focusing right principles (Aslan 2013). Therefore, the principle-centered leadership means that one should behave in accordance with trust by determining the principles of his life and using his own mind with the conviction that he/she is valuable (Özgen 2003).

6. METHOD

Ethical leadership appears as a research area where its concept becomes more important every day and the influence on healthcare workers remains still a mystery. (Aslan 2013). In this study, ethical leadership and the presence of a correlation between ethical leadership and happiness/unhappiness of staff members were investigated. The importance of concept of ethics is undeniable especially for today.

Moreover, conducting ethical behavior in the management is a rare occurrence today. The concept of mobbing we encounter frequently in both academic and daily life shows the lack of ethical behavior in management. Especially in the health sector, communication problems are experienced besides the standard. This study, which examines ethical leadership in health management, has both original and academic value. The population of the study consisted of ABC State Hospital staff members. All hospital staff members who directly and indirectly provide health care services were included in the study. A total of 380 questionnaires were applied with convenience sampling method and 376 questionnaires were validated. Happiness scale was developed by Demirci and consists of 5 questions (Demirci, 2017).

For Ethical Leadership measurement, a ten-item scale developed by Brown et al. (2005) was used. Validity, reliability and Turkish adaptation of the scale were conducted by Tuna et al., (2012).

In the question measurements, 5-item Likert type was used. The scale was composed of the opinions of; (1) I strongly disagree, (2) I disagree, (3) neutral, (4) I agree, (5) I strongly agree. The validity and reliability of the scale was found as 0.865 in the study.

The model and hypothesis of the research is as follows:

Ethical Leadership ⟶ Happiness

H1: There is a significant statistical correlation between happiness and ethical leadership.

The data were tested using the SPSS 21.0 program. To determine which tests to use, the compliance of data with the normal distribution were tested by Kolmogorov-Smirnov Normality Test. Levene's test was applied for homogeneity of variances. It was decided that parametric tests could be applied after the normality of the data and homogeneous variance were achieved. For reliability analysis, Cronbach's Alpha coefficient was used. Factor analysis, correlation, and regression analyses were used.

7. RESULTS

The results of the study conducted with the subject of the relationship among success, ethical leadership, and happiness in healthcare staff were investigated in two sections. In the first part, results for the socio-demographic characteristics of the healthcare staff and the descriptive statistics were mentioned. In the second part, the results for the relationship of the scales of the study were mentioned.

Table 1. Socio-Demographic Measurement

Variable	Number	Percentage
Distribution of the Participants in terms of Gender		
Female	254	67.55
Male	122	32.45
Distribution of the Participants in terms of Age Range		
17-25	31	8.24
26-30	136	36.17
31-35	73	19.42
36-40	58	15.42
41-45	27	7.18
46-50	28	7.45
51 and older	23	6.12
Distribution of the Participants by Marital Status		
Married	214	56.91
Single	162	43.09
Distribution of the Participants by Educational Status		
Primary education	11	2.93
High school	85	22.60
Associate's degree	92	24.47
Bachelor's degree	68	18.08
Master's degree	25	6.65
Doctorate and above	95	25.27
Distribution of the Participants in terms of their Professional Experiences		
0-5 years	247	65.69
6-10 years	79	21.01
11-15 years	35	9.31
16 years and more	15	3.99
Distribution of the Participants in terms of Their Positions		
Manager	46	12.23
Office staff	148	39.36
Healthcare technician	31	8.25
Midwife - Nurse	82	21.81
Doctor	69	18.35
Total	376	100

As shown in Table 1, 67.55% of the participants were female and 32.45% were male. 8.24% of the participants were in the age range of 17-25 years, 36.17% were in the age range of 26-30 years, 19.42% were in the age range of 31-35 years, 15.42% were in the age range of 36-40 years, 7.18% were in the age range of 41-45 years, 7.45% were in the age range 46-50 years, and 6.12% were over 51 years old. 56.91% of the participants were married and 43.09% were single. 2.93% of the participants were primary school graduates.

Of the remaining participants, 22.60% had high school education, 24.47% had associate's degree, 18.08% had bachelor's degree, 6.65% had master's degree and 25.27% had doctorate and higher education level. The professional experiences of the participants were 0-5 years for 65.69%, 6-10 years for 21.01%, 11-15 years for 9.31%, and more than 15 years for 3.99%. Of the participants, 12.23% were managers, 39.36% were office workers, 8.25% were health care technicians, 21.81% were midwives and nurses, and 18.35% were doctors.

Table 2. Leaders' Agreement Level to Ethical Behavior Judgments

Expressions	I strongly disagree		I disagree		Neutral		I agree		I strongly agree	
	n	%	n	%	n	%	n	%	n	%
Managers take the staff members into account	22	5.8	24	6.3	37	9.8	154	40.	139	36.
Administrators enforce sanctions against those who do not act ethically	26	6.91	23	6.12	41	10.90	164	43.62	122	32.45
The private lives of the managers are also ethical	21	5.59	37	9.84	62	16.48	166	44.15	90	23.94
Managers take the personnel's opinions into account	24	6.38	20	5.32	49	13.03	169	44.95	114	30.32
Managers are fair	22	5.85	25	6.65	37	9.84	171	45.48	121	32.18
Managers decide in a balanced way	32	8.51	38	10.11	89	23.67	161	42.82	56	14.89
Managers discuss business ethics with personnel	35	9.31	12	3.19	68	18.09	145	38.56	116	30.85
Managers give examples appropriate to business ethics	32	8.51	36	9.57	102	27.13	123	32.71	83	22.08
Managers associate success with both the result and the process	50	13.30	21	5.58	69	18.36	138	36.70	98	26.06
Managers ask what is the right thing to do when deciding	43	11.43	63	16.75	60	15.96	137	36.44	73	19.42

When Table 2 showing the participation statuses of the leaders about the ethical leadership behaviors was examined, it was revealed that the

participants thought that their leaders behaved ethically. The participation at the highest rate was on the ground that the managers were fair. Table 3 shows the average distributions of the results of the questionnaire about how happy the staff members felt themselves.

Table 3. Level of Agreement to the Happiness Judgments

Statements	*I strongly disagree*		*I disagree*		*Neutral*		*I agree*		*I strongly agree*	
	n	%	n	%	n	%	n	%	n	%
I am cheerful in my daily life	43	11.44	59	15.69	56	14.89	167	44.42	51	13.56
The moments I feel happy in life are the majority.	23	6.12	37	9.84	62	16.49	198	52.66	56	14.89
I often feel alive/energetic	11	2.93	15	3.99	31	8.24	169	44.95	150	39.89
Even small things are enough to make me happy	5	1.33	7	1.86	15	3.99	216	57.45	133	35.37
I can be cheerful despite the shortcomings in my life	28	7.45	41	10.90	47	12.50	152	40.43	108	28.72

The participants gave positive results at the high rate to the questions on happiness. It was found that 57.98% of the participants were generally cheerful, 67.55% were feeling mostly happy in their lives, 84.84% were often energetic, 92.82% can be happy even with small things, and 69.15% of them stated that they can be cheerful despite the shortcomings in their lives.

Table 4 and 5 show the results of the test investigating the interaction between the ethical leadership and happiness.

Table 4. The Effect of Ethical Leadership on Happiness

Ethical Leadership	Sum of squares	Degree of Freedom	Mean squares	F	p
1 Regression	342.413		342.413	533.512	.000c
Residue	287.512	376	.613		
Total	629.925	376			

Table 5. Ethical Leadership and Happiness Coefficients

Ethical Leadership	Regression Coefficients	Degree of Freedom	Standardized Regression Coefficient	t	p
1 Regression	B	Standard error	Beta		
Residue					
Total	.867	.111		7.051	.000
	.735	.028	.599	23.843	.000

As shown in Tables 4 and 5, there was a strong correlation above the average between the ethical leadership and happiness. The ethical leadership which is the independent variable of the determination coefficient of the analysis was seen to account for the happiness, the dependent variable, at the rate of 45%. The H1 hypothesis was accepted.

6. CONCLUSION

The high level of correlation between the ethical leadership and happiness containing the hypothesis of the study is the most significant result of the study. When the similar studies in the literature are examined, it was concluded in the study by Wong and

Laschinger (2012) that the efficiencies of the health care personnel working with authentic leaders are especially high.
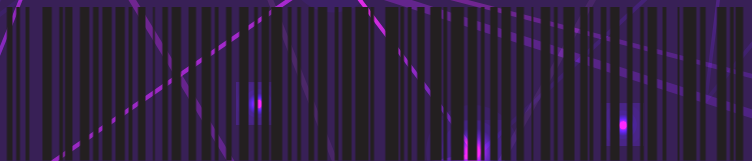
In conclusion, the health institutions and organizations are different than the other service sectors and have more importance due to their direct relationship of the sector receiving service with the human life and their chaotic structure. The presence of ethical leadership principles and happy working of staff members in the institution are important in terms of the quality and qualification of the service provided, motivation and performance of the staff members and the effectiveness of all processes. The study was conducted in a state hospital. Conducting the study comparatively with the state and private hospitals is important in terms of determining the ethical leadership boundaries more clearly. Conducting larger-sized studies about effects of ethical leadership is important for health care management. In terms of the efficiency, effectiveness, economics of the health institutions and the performance of the organization, determination of the dimensions of the ethical leadership will provide an important facilitator in terms of institutional improvement. Therefore, a study on management of health institutions with ethical leadership can be carried out.

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