INSTITUTIONALIZATION OF CONSTRUCTION FIRMS: TURKISH CONTRACTORS' EXPERIENCE

A THESIS SUBMITTED TO
THE GRADUATE SCHOOL OF NATURAL AND APPLIED SCIENCES
OF
MIDDLE EAST TECHNICAL UNIVERSITY

BY

ÖZLEM YAVUZYILMAZ

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR
THE DEGREE OF MASTER OF SCIENCE
IN
CIVIL ENGINEERING

MAY 2010

Approval of the thesis:

INSTITUTIONALIZATION OF CONSTRUCTION FIRMS: TURKISH CONTRACTORS' EXPERIENCE

submitted by **ÖZLEM YAVUZYILMAZ** in partial fulfillment of the requirements for the degree of **Master of Science in Civil Engineering Department, Middle East Technical University** by,

Prof. Dr. Canan Özgen ______________________
Dean, Graduate School of **Natural and Applied Sciences**

Prof. Dr. Güney Özcebe ______________________
Head of Department, **Civil Engineering**

Prof. Dr. M. Talat Birgönül ______________________
Supervisor, **Civil Engineering Dept., METU**

Assoc. Prof. Dr. İrem Dikmen Toker ______________________
Co-Supervisor, **Civil Engineering Dept., METU**

Examining Committee Members:

Assist. Prof. Dr. Metin Arıkan ______________________
Civil Engineering Dept., METU

Prof. Dr. M. Talat Birgönül ______________________
Civil Engineering Dept., METU

Assoc. Prof. Dr. İrem Dikmen Toker ______________________
Civil Engineering Dept., METU

Assoc. Prof. Dr. Rıfat Sönmez ______________________
Civil Engineering Dept., METU

Çiğdem Şişman ______________________
Project Manager, Hidro Dizayn Engineering

Date: 04.05.2010

I hereby declare that all information in this document has been obtained and presented in accordance with academic rules and ethical conduct. I also declare that, as required by these rules and conduct, I have fully cited and referenced all material and results that are not original to this work.

Name, Last name : ÖZLEM, YAVUZYILMAZ

Signature :

ABSTRACT

INSTITUTIONALIZATION OF CONSTRUCTION FIRMS: TURKISH CONTRACTORS' EXPERIENCE

Yavuzyılmaz, Özlem

M.Sc., Department of Civil Engineering

Supervisor: Prof. Dr. Talat Birgönül

Co-Supervisor: Assoc. Prof. Dr. İrem Dikmen Toker

May 2010, 128 pages

Literature studies on institutionalization are mainly predicated on repetitive work performing sectors, in which firms are more prone to developed institutionalization processes in literature. But, in this study, it is aimed to examine reasons behind low tendency of construction firms to institutionalization process in Turkey. In literature, two main obstacles against institutionalization are shown as firms' resistance to change and founder family acts on firm. So, family businesses and their effects on firm operations are also included to this study's scope, with business growth and institutionalization process. Conducted interviews are based on a questionnaire which is prepared to identify; cognition level of institutionalization, factors leading firms to institutionalization, firms' established system perform in the name of institutionalization and finally summarize experiences firms gained from institutionalization process. Twenty-one interviewed contractor firms enlightens acts of construction firms in Turkey, because like interviewed firms, 70% of construction firms in Turkey is still governed by 1^{st} generation.

Results indicate that construction firms seem to apply most of the systems offered by literature for institutionalization because of rapid business growth. In general they refuse a high institutionalization level because of construction projects' temporary and unique nature, causing a highly competitive and uncertain sector requiring a highly flexible firm structure. Institutionalization is mainly processed to enhance control, it is not considered to take place for balancing family and firm relationships. This is because of high family dominancy in firms, leading to a highly jeopardized sustainability.

Keywords: Institutionalization Process, Construction Firms, Family Businesses

ÖZ

İNŞAAT ŞİRKETLERİNİN KURUMSALLAŞMASI: TÜRK MÜTEAHHİTLERİN DENEYİMLERİ

Yavuzyılmaz, Özlem
Yüksek Lisans, İnşaat Mühendisliği Bölümü
Tez Yöneticisi : Prof. Dr. Talat Birgönül
Ortak Tez Yöneticisi: Doç. Dr. İrem Dikmen Toker

Mayıs 2010, 128 sayfa

Literatürdeki kurumsallaşma çalışmaları genellikle aynı işi tekar eden sektörler üzerinde yapılmıştır, ki bu sektördeki firmalar literatürde geliştirilmiş kurumsallaşma işleyişine diğer sektördeki firmalardan daha yatkındırlar. Bu çalışmada, Türkiye'deki inşaat şirketlerinin kurumsallaşmaya olan düşük yatkınlığnın nedenleri ele alınmıştır. Literatürde en çok bahsedilen, kurumsallaşmanın önündeki iki engel, firmaların değişime olan direnişi ve kurucu ailenin firmayı etkileyen davranışlarıdır. Bu yüzden aile şirketleri ve bu şirketlerin firma işleyişindeki etkileri de, işin büyümesi ve kurumsallaşma işleyişiyle birlikte bu tezin kapsamına alınmıştır. Gerçekleştirilen görüşmeler; kurumsallaşma algısının seviyesini, firmaları kurumsallaşmaya iten faktörleri, firmaların kurumsallaşmak için kurduğu sistemleri ve kurumsallaşma sonucunda elde ettikleri deneyimleri belirlemek için hazırlanan bir ankete dayandırılmıştır. Görüşme yapılan yirmi bir müteahhit firma da %70'i hala 1. kuşak tarafından yönetilen Türkiye'deki inşaat firmaları gibi yönetildiği için, bu çalışma Türkiye'deki inşaat firmalarına ışık tutar niteliktedir.

Elde edilen sonuçlara göre iş hacminin artması, inşaat firmalarını, kurumsallaşma sistemlerinin bir çoğunu uygulamaya iten en önemli faktördür. Genel olarak inşaat firmaları, içinde bulundukları, geçici ve özgün inşaat projelerinin oluşturduğu, rekabet seviyesi yüksek ve belirsiz koşullar içeren sektörün gerektirdiği esnek firma yapısını korumayı, yüksek seviyedeki kurumsallaşmadan daha çok benimsemektedirler. Ek olarak, kurumsallaşmanın, aile-firma ilişkilerini düzenlemekten çok, şirket içi kontrol seviyesini arttırmak için uygulanıyor olması, sürdürülebilirliğin aile tarafından büyük bir riske atılmasına neden olduğu belirlenmiştir.

Anahtar Kelimeler: Kurumsallaşma, İnşaat Şirketleri, Aile Şirketleri

To My Beloved Family

ACKNOWLEDGEMENTS

This research has been carried out under the supervisions of Prof. Dr. M. Talat Birgönül and Assoc. Prof. Dr. İrem Dikmen Toker in the Construction Engineering and Management Department of Civil Engineering in the Middle East Technical University.

The author wishes to express her sincere appreciation to Prof. Dr. M. Talat Birgönül and Assoc. Prof. Dr. İrem Dikmen Toker for their guidance and helpful advice throughout the research.

The technical assistance of author’s colleagues and the effort of management department and project assistants are gratefully acknowledged.

The author is especially indebted to her “sunrise” for his everlasting patience and support at most critical stages of this thesis.

The author offers sincere thanks to her family for their unshakable faith in her, their patience and confidence in her. They receive many indebted thanks.

TABLE OF CONTENTS

ABSTRACT IV
ÖZ VI
ACKNOWLEDGEMENTS IX
TABLE OF CONTENTS X
LIST OF TABLES XII
LIST OF FIGURES XIII
LIST OF SYMBOLS XVI
CHAPTER
1. INTRODUCTION 1
1.1 A Worldwide Look on Family Businesses 1
1.2 A General View of Family Businesses in Turkey 11
2. RESEARCH BACKGROUND 15
2.1 SMALL TO MEDIUM SIZED ORGANIZATIONS 16
2.1.1 Entrepreneur and Establishment of a Small Organization 16
2.2 FAMILY BUSINESS 21
2.2.1 Advantages of Family Businesses 26
2.2.2 Disadvantages of Family Businesses 33
2.3 BUSINESS GROWTH 39
2.4 INSTITUTIONALIZATION 46
2.4.1 Definition of Institutionalization in Literature 46
2.4.2 Old and New Institutionalism Theories 49
2.4.3 Process of Institutionalization 52
2.4.3.1 Childhood (First) Phase of Institutionalization 55
2.4.3.2 Adolescence (Second) Phase of Institutionalization 58
2.4.3.3 Maturity (Third) Phase of Institutionalization 63
2.4.4 Institutionalization Degree 64

2.4.5 Why not to Institutionalize 66
2.4.6 Why to Institutionalize 68
3. RESEARCH METHODOLOGY AND OUTCOMES 70
3.1 DEVELOPMENT OF QUESTIONNAIRE AND INTERVIEWS 70
3.1.1 Factors Leading to Institutionalization 71
3.1.2 Institutionalization Process of Firms 72
3.1.3 Effects of Institutionalization 72
3.2 A GENERAL VIEW OF CONSTRUCTION FIRMS IN TURKEY 73
3.3 PROFILES OF COMPANIES INTERVIEWED AND INTERVIEWERS 76
3.4 OUTCOMES OF INTERVIEWS 80
3.4.1 Outcomes of Factors Leading to Institutionalization 80
3.4.1.1 Transfer of Firm 81
3.4.1.2 Growth of Business 82
3.4.1.3 Inactive Board 83
3.4.1.4 Fund Raising 84
3.4.1.5 Organizational Features 86
3.4.1.6 Enforcement of Employees and Professionals to Become Institutionalized 87
3.4.1.7 Environmental Conditions 90
3.4.1.8 Legal Obligations 91
3.4.2 Outcomes of Institutionalization Process of Firms 92
3.4.2.1 Business Structure 94
3.4.2.2 Managerial Acts 99
3.4.2.3 Family Acts 103
3.4.2.4 Family Constitution 104
3.4.3 Outcomes of Effects of Institutionalization 106
4. CONCLUSIONS AND FURTHER RECOMMENDATIONS 109
REFERENCES 117

LIST OF TABLES

TABLES

Table 1.1 Family businesses in Turkey (Karpuzoğlu, 2002) 11

Table 2.1 Family business definitions in literature (Dyer, 2006; Birdthistle and Fleming, 2007) 22

Table 2.2 Outputs of pre-institutionalization 56

Table 2.3 Structures built upon pre-institutionalization 57

Table 2.4 Isomorphic processes 60

Table 2.5 Institutionalization adoption (Lawrence et al., 2001) 62

Table 3.1 Characteristics of respondents 77

LIST OF FIGURES

FIGURES

Figure 1.1 Family businesses in Europe (O'Sullivan and Koutsoukis, 2008) . 2
Figure 1.2 Worldwide family businesses (Alayoğlu, 2003; Birdthistle and Fleming, 2007; Industry Canada, 2009; Institute for Family Business, 2008; Kırım, 2001; O'Sullivan and Koutsoukis, 2008; The PricewaterhouseCoopers, 2007) 3
Figure 1.3 Family business rates in markets (KPMG and Family Business Australia, 2009; The PricewaterhouseCoopers, 2007) 4
Figure 1.4 Competitive traits of family businesses (The PricewaterhouseCoopers, 2007) 5
Figure 1.5 Family in business (KPMG and Family Business Australia, 2009)6
Figure 1.6 Family involvement reasons (Barclays Wealth, 2009; ICFIB and Praxity, 2009; Institute for Family Business, 2008; MassMutual, Kennesaw State University, and Family Firm Institute, 2007; The PricewaterhouseCoopers, 2007; Simmonds, 2008) 6
Figure 1.7 Firm based problems (Barclays Wealth, 2009; ICFIB and Praxity, 2009; Institute for Family Business, 2008; KPMG and Family Business Australia, 2009; MassMutual et al., 2007; O'Sullivan and Koutsoukis, 2008; The PricewaterhouseCoopers, 2007) 8
Figure 1.8 Family based problems (Barclays Wealth, 2009; ICFIB and Praxity, 2009; Institute for Family Business, 2008; KPMG and Family Business Australia, 2009; MassMutual et al., 2007; Simmonds, 2008; The PricewaterhouseCoopers, 2007) 8
Figure 1.9 Solutions to family based problems (KPMG and Family Business Australia, 2009; Simmonds, 2008; The PricewaterhouseCoopers, 2007) 9

Figure 1.10 Firm based investments (Barclays Wealth, 2009; KPMG and Family Business Australia, 2009; MassMutual et al., 2007; O'Sullivan and Koutsoukis, 2008; The PricewaterhouseCoopers, 2007) 10
Figure 1.11 Average lifetime of SME's in years (Ekonomik ve Stratejik Araştırmalar Merkez Müdürlüğü, 2005) 12
Figure 1.12 Family business rates in Turkey's markets (Çalışkan, 2008) 13
Figure 1.13 Family in business in Turkey (Çalışkan, 2008) 13
Figure 2.1 Advantages of small organizations 19
Figure 2.2 Disadvantages of small organizations 20
Figure 2.2 Disadvantages of small organizations (continued) 21
Figure 2.3 Institutionalization definition 49
Figure 2.4 Institutionalization process cycle 54
Figure 2.5 Organizational design vs. complexity (Geraldi, 2008) 65
Figure 3.1 Progress of questionnaire structure 71
Figure 3.2 Percentage of active generations in construction firms 74
Figure 3.3 Family involvement percentages for construction businesses in Turkey 74
Figure 3.4 Investment fields of construction firms 75
Figure 3.5 Percentage of generations in surveyed firms 77
Figure 3.6 Family involvements in surveyed firms 78
Figure 3.7 Investment fields of surveyed firms 79
Figure 3.8 Outcomes of first part of questionnaire 80
Figure 3.9 Transfer of firm 81
Figure 3.10 Growth of business 82
Figure 3.11 Inactive board 84
Figure 3.12 Fund raising 85
Figure 3.13 Organizational features 86
Figure 3.14 Enforcement of employees to get institutionalized 88
Figure 3.15 Enforcement of professionals to get institutionalized 89
Figure 3.16 Environmental conditions 90
Figure 3.17 Legal obligations 91

Figure 3.18 Outcomes of institutionalization process of firms 93
Figure 3.19 Business structure (1st part) 95
Figure 3.20 Business structure (2nd part) 97
Figure 3.21 Business structure (3rd part)... 99
Figure 3.22 Managerial acts (1st part) 100
Figure 3.23 Managerial acts (2nd part)... 102
Figure 3.24 Family acts.. 104
Figure 3.25 Family constitution.. 105
Figure 3.26 Outcomes of final part of questionnaire 106

LIST OF SYMBOLS

CEO	: Chief Executive Officer
EU	: European Union
GNP	: Gross National Production
INTES	: Turkish Construction Industrialists Employer Union
ISO 9001	: The International Standard for Quality Management
ISO 14001	: Environmental Management Standard
OHSAS 18001	: Occupational Health and Safety Management Systems
SME	: Small to Medium sized Enterprises
TMB	: Turkish Contractors Association
UK	: United Kingdom
US	: United States

1. INTRODUCTION

One of the most popular subjects in organizational theory is institutionalization of small to medium sized family business enterprises. Business is examined as a rational element, whereas, family is seen as a moral element representative (like culture) of a company. These two elements come together to form family business concept. While the era of entrepreneur involves enchanting achievements, successor or last phase of entrepreneur, fails to carry these achievements to future, even could not preserve existing status of business. So many vital items, like growth and sustainability of business are threatened, because business lacks paddling its own canoe. As a matter of fact, this outcome is not specific to one region or country, but observed as a worldwide issue. In addition to territory perspective, a field based view can be generated, concerning not only industrial businesses suffering from this threat but also construction firms, because of its amount of turnover rate all around the world.

Before analyzing construction firms in detail, a brief summary of traits and performances of worldwide and Turkish family businesses will help to create a better cognition of importance of family businesses and their behaviors to get familiar with studies done in literature on institutionalization.

1.1 A Worldwide Look on Family Businesses

Most stunning fact about family businesses is that they constitute 40% of world economy with their quantity (Walter, 2009). Figure 1.1, belonging to O'Sullivan and Koutsoukis, 2008 is given for an example to demonstrate high percentage amount of family businesses existing in Europe. As the figure indicates, amount of family firms cannot be neglected for most of the countries, especially in France (64%).

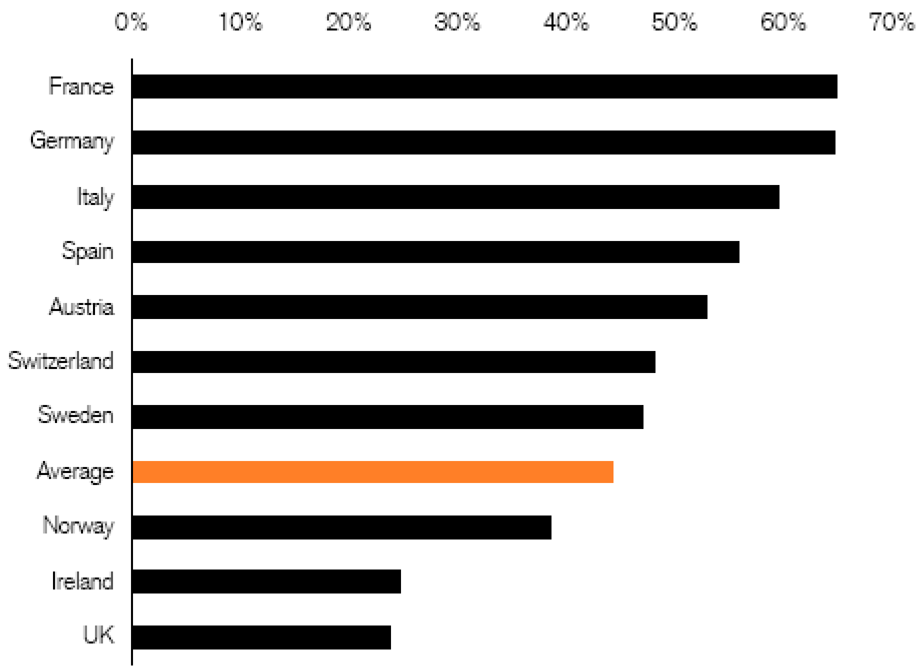

Figure 1.1 Family businesses in Europe (O'Sullivan and Koutsoukis, 2008)

But unfortunately, as stated earlier, such a big portion of this economic source cannot make through generations. Based on Walter's studies, in 2009, only 30 % can survive to 2nd generation moreover, percentage of family firms survived till 3rd generation is 10. In Figure 1.2, a collection of studies covering family business rate, their contribution to GNP and survival rates are given.

Asia leads the contribution of family businesses to gross national production (GNP) with 74% and followed by US (58%) and EU (50%). Another highest percentage is family business rate in Canada and US which is 95%. Although Canada has highest percentage of family business rate, their contribution to GNP is smallest (26%), the reason for that is the low business volume of these firms operating in the country. On the other hand, US exposes high amount of family businesses with their contribution to both GNP (95%) and employment (60%). Like GNP, highest growth rate of family firms is seen in Asia (47%), also EU (32%) and US (21%) comes after (The PricewaterhouseCoopers, 2007).

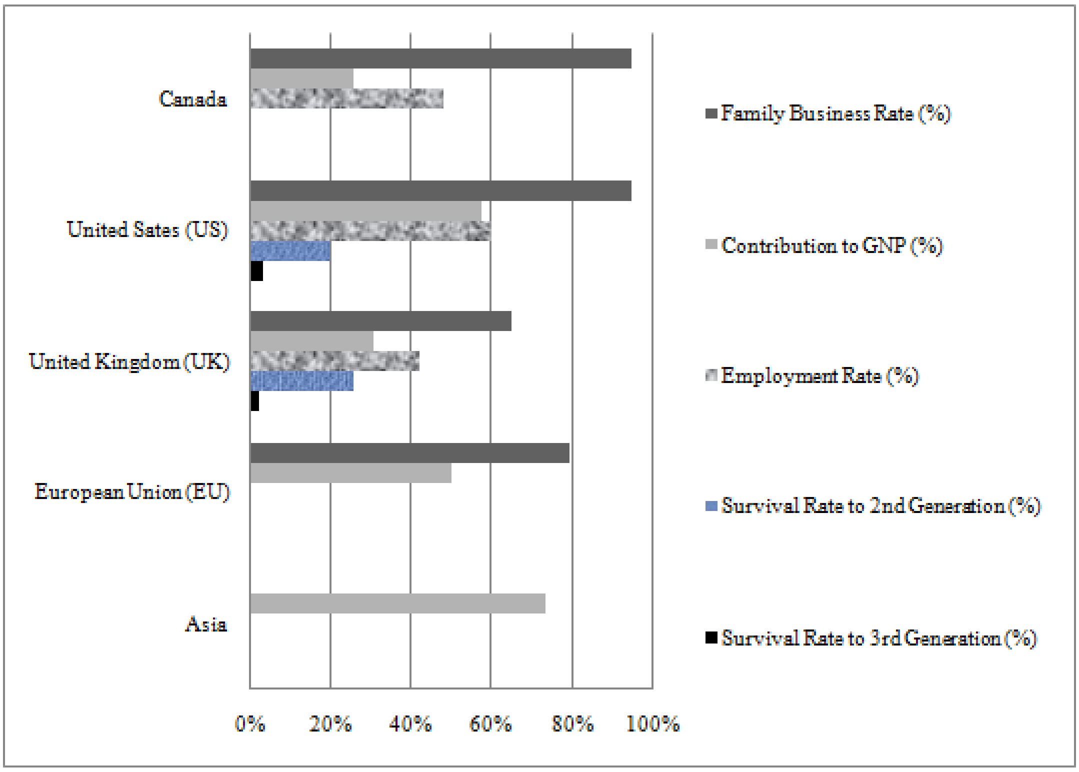

Figure 1.2 Worldwide family businesses (Alayoğlu, 2003; Birdthistle and Fleming, 2007; Industry Canada, 2009; Institute for Family Business, 2008; Kırım, 2001; O'Sullivan and Koutsoukis, 2008; The PricewaterhouseCoopers, 2007)

Surveys done on survival rates of family businesses are only available for US and UK to compare. Family firms in UK are more stable and can sustain firm up to 2nd generation (26%) than US family businesses (20%). But UK family businesses cannot further sustain firm to 3rd generation (2.6%), whereas in US this rate increases to 3.4%. Customer loyalty may be one of the factors for long term survival which is higher for US (19%) when compared to EU (13%) and lowest in Asia (10%) (The PricewaterhouseCoopers, 2007). On the other hand, capability of family businesses in product design, which is known as an indicator of customer attraction, is 20% for Asia and 14% for EU and US (The PricewaterhouseCoopers, 2007).

Family firms operate in all kinds of businesses as long as the start of this journey is entrepreneurship, and entrepreneurship is most popular in consumer goods (19%), manufacturing (15.1%) and retail/wholesale (14.9%) sectors (Figure 1.3). As can seen from Figure 1.3, construction sector is ranked 4th with a percentage of 11.3, proving the importance of sector among other family business sectors. Besides, nearly 70% of construction sector is made up of family businesses for both UK and Canada (Industry Canada, 2009; Institute for Family Business, 2008; O'Sullivan and Koutsoukis, 2008). In UK, one of the highest rates of family businesses is observed in agriculture business, which is 86% and followed by manufacturing after construction with 64% (Institute for Family Business, 2008). In Canada, construction is followed by forestry, paper and packaging and property and real estate businesses with a family business percentage of 67% (Industry Canada, 2009).

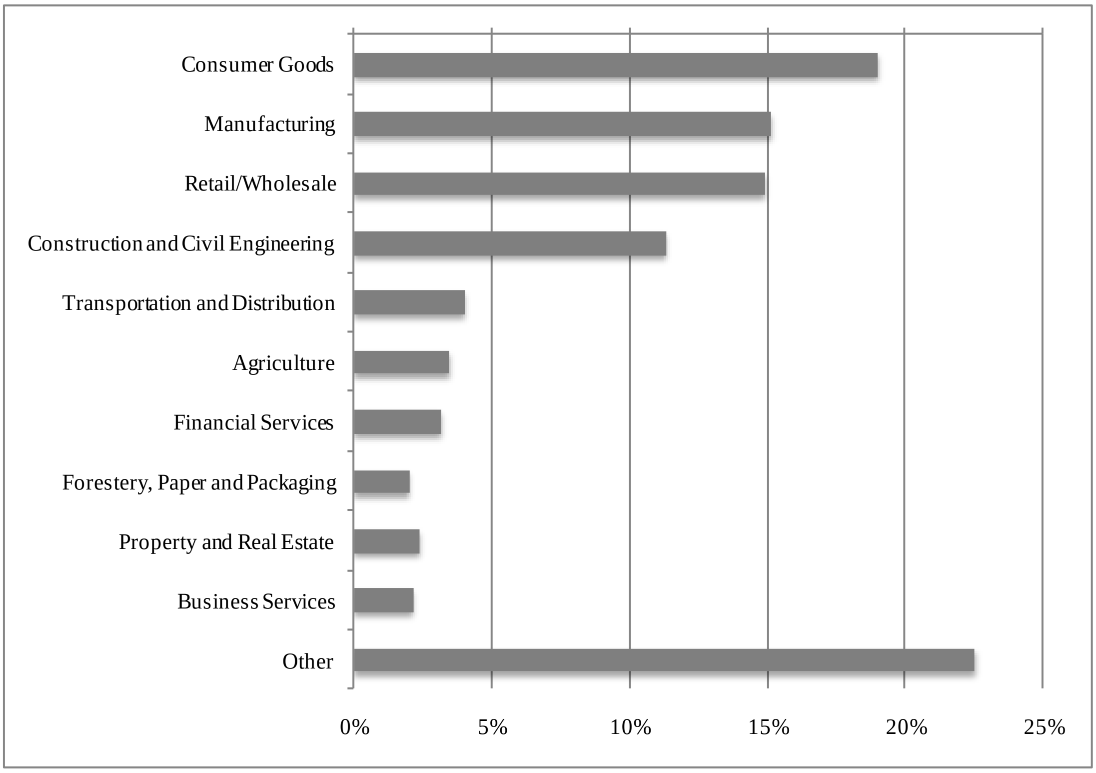

Figure 1.3 Family business rates in markets (KPMG and Family Business Australia, 2009; The PricewaterhouseCoopers, 2007)

54% family businesses find themselves very competitive when compared to nonfamily businesses in the market (The PricewaterhouseCoopers, 2007). Based on survey results, quality/design/range of products, loyalty of customers and strong brand are family businesses' most competitive traits (Figure 1.4).

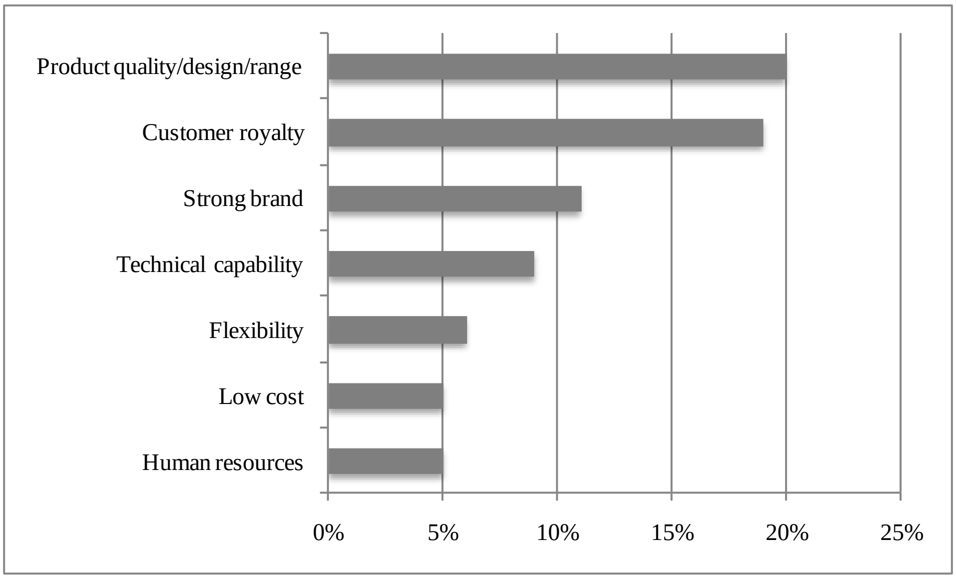

Figure 1.4 Competitive traits of family businesses (The PricewaterhouseCoopers, 2007)

Besides competitiveness, other encouraging results showing increased sustainability possibility of family firms are; 90% family businesses revise their business plans within 12 months, 57% family businesses increased their profits and correspondingly 50% of them invested back in business and increased capital expenditure (The PricewaterhouseCoopers, 2007).

Family business is characterized with governance and management of business by family and expected to have results showing high rates of family involvement in governance which is mainly supported with management positions. According to the research made by KPMG and Family Business Australia (2009), listed family members positioned at high managerial levels, proves this involvement with percentages not less than 85% (which is for general manager position, given in Figure 1.5). Also, list of reasons for great percents of family involvement in business can be seen in Figure 1.6.

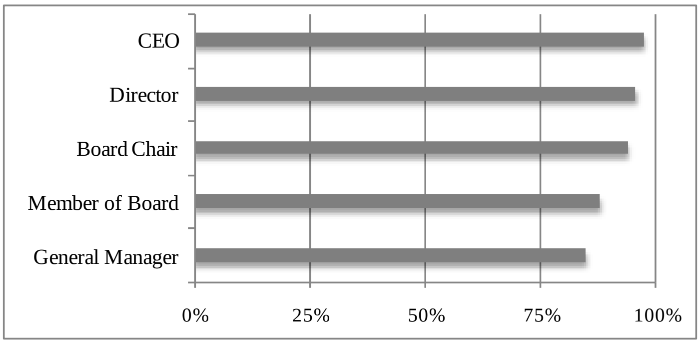

Figure 1.5 Family in business (KPMG and Family Business Australia, 2009)

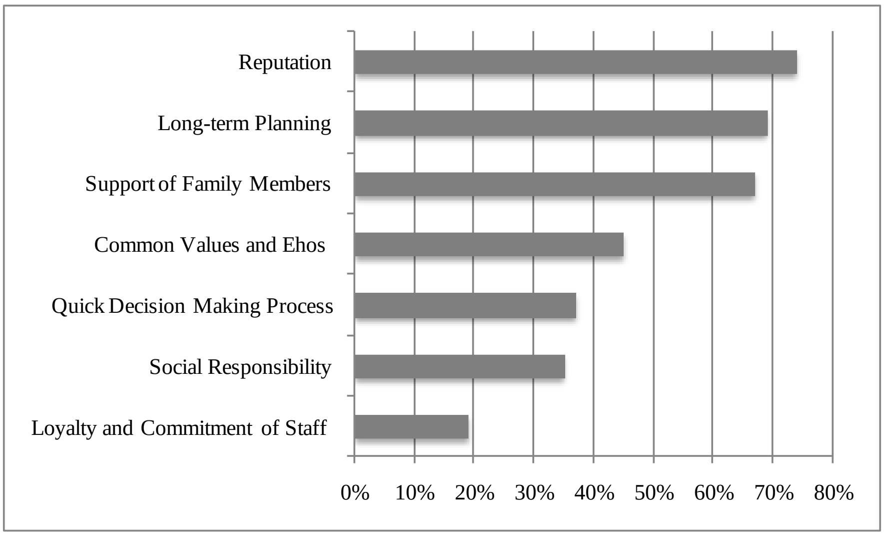

Figure 1.6 Family involvement reasons (Barclays Wealth, 2009; ICFIB and Praxity, 2009; Institute for Family Business, 2008; MassMutual, Kennesaw State University, and Family Firm Institute, 2007; The PricewaterhouseCoopers, 2007; Simmonds, 2008)

Business owners (43.7%) estimate that, ownership of firm will change after 5 years from now on (KPMG and Family Business Australia, 2009; MassMutual et al., 2007; The PricewaterhouseCoopers, 2007). Three possibilities that a firm changes ownership are; 61.14% transition to next generation (Barclays Wealth, 2009; KPMG and Family Business Australia, 2009; O'Sullivan and Koutsoukis, 2008; Simmonds, 2008; The PricewaterhouseCoopers, 2007), 29.44% liquidation (Barclays Wealth, 2009; KPMG and Family Business Australia, 2009; O'Sullivan and Koutsoukis, 2008; Institute for Family Business, 2008; The PricewaterhouseCoopers, 2007), 2% merging or acquainting (The PricewaterhouseCoopers, 2007), or 5% listing publicly (KPMG and Family Business Australia, 2009).

However, family firms are concerned not only with ownership but also with environmental effects including; market conditions (28%), product competition (39%), government policy (23%), currency rates (14%) and, problems in foreign markets (13%) (KPMG and Family Business Australia, 2009; MassMutual et al., 2007; O'Sullivan and Koutsoukis, 2008; The PricewaterhouseCoopers, 2007).

As well as environmental concerns, concerns about firm based problems defined by family businesses are given in Figure 1.7. Change appears as the most powerful challenge that a firm must face (32.3%), and then comes fund generation (27.5%) with controlling costs (26.0%).

Although family affair issue is at 6th place (20.5%), 70% of firms have not yet developed any systems or regulations in order to solve possible family related problems (Barclays Wealth, 2009; KPMG and Family Business Australia, 2009; The PricewaterhouseCoopers, 2007), leading emotional aspects of family businesses which may prompt some other conflicts between family and business which is given in Figure 1.8.

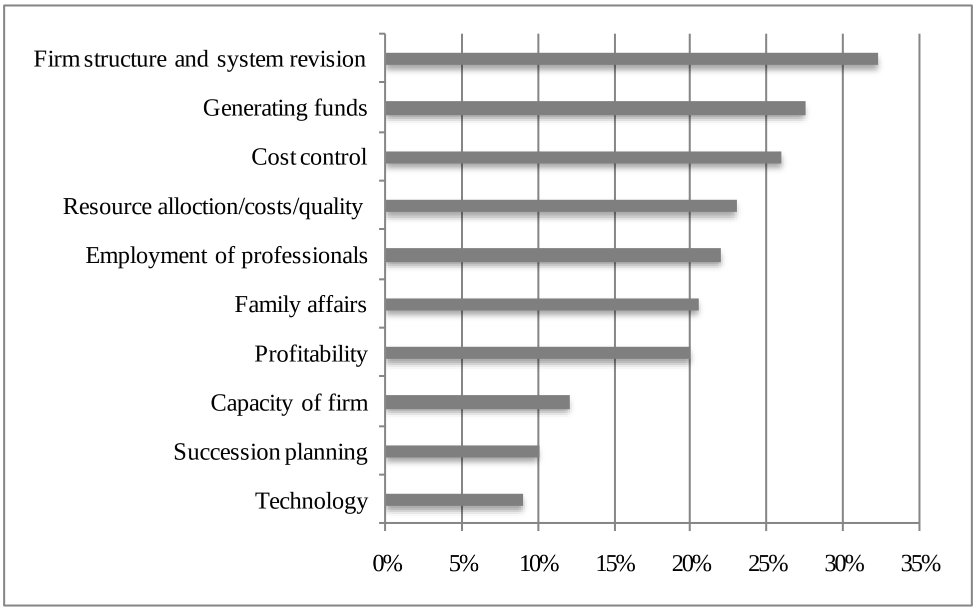

Figure 1.7 Firm based problems (Barclays Wealth, 2009; ICFIB and Praxity, 2009; Institute for Family Business, 2008; KPMG and Family Business Australia, 2009; MassMutual et al., 2007; O'Sullivan and Koutsoukis, 2008; The PricewaterhouseCoopers, 2007)

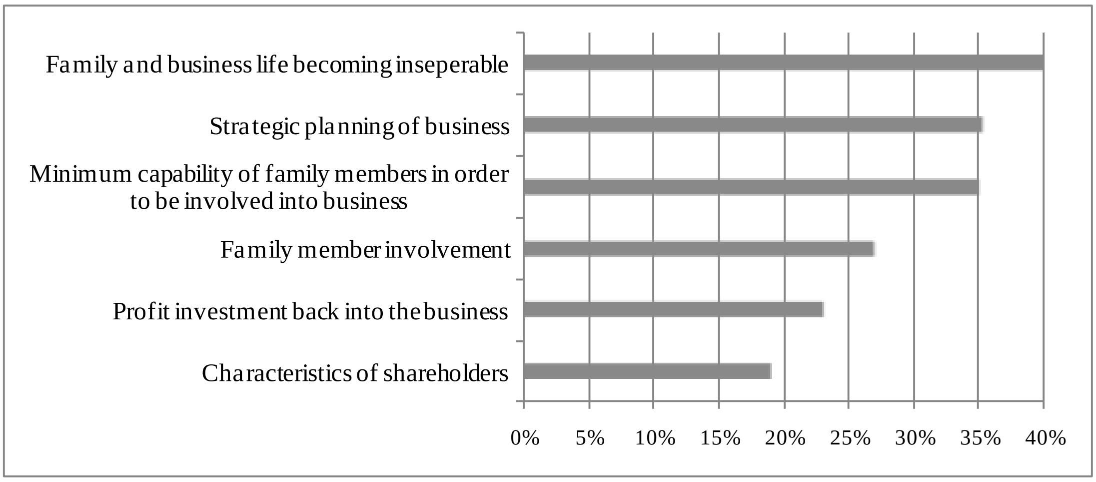

Figure 1.8 Family based problems (Barclays Wealth, 2009; ICFIB and Praxity, 2009; Institute for Family Business, 2008; KPMG and Family Business Australia, 2009; MassMutual et al., 2007; Simmonds, 2008; The PricewaterhouseCoopers, 2007)

Against these bottlenecks, conscious firms are not indifferent, they even take some actions to overcome these (Figure 1.9). In figure, informal meetings (2%), happen to be either at home (19%), at workplace (37%) or mostly regardless of time and place (44%) (KPMG and Family Business Australia, 2009; ICFIB and Praxity, 2009).

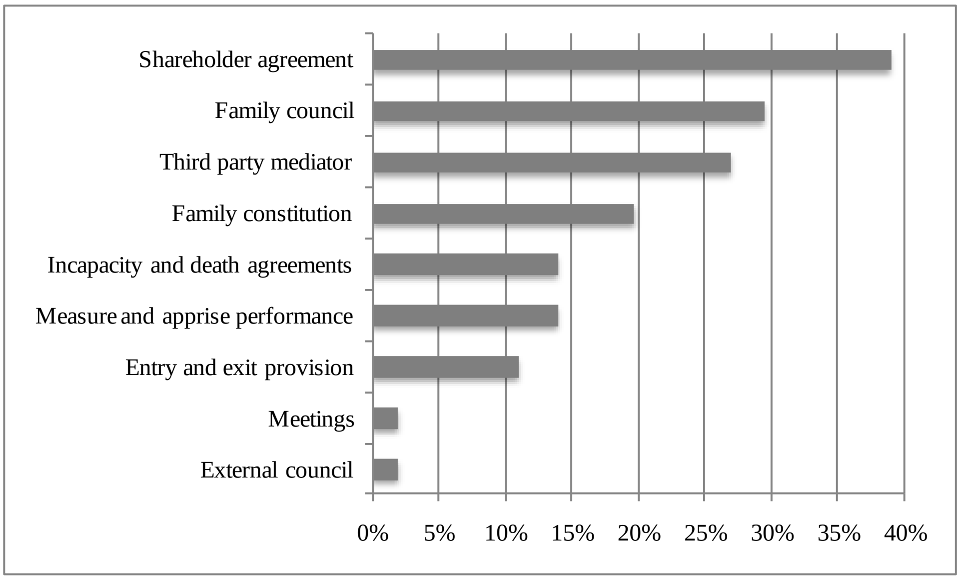

Figure 1.9 Solutions to family based problems (KPMG and Family Business Australia, 2009; Simmonds, 2008; The PricewaterhouseCoopers, 2007)

Further, 25.3% of firms have determined a successor (Institute for Family Business, 2008; MassMutual et al., 2007; The PricewaterhouseCoopers, 2007) and 48% have a succession plan, which are all positive evidences of a shareholder agreement precedence (Barclays Wealth, 2009; KPMG and Family Business Australia, 2009; O'Sullivan and Koutsoukis, 2008; Simmonds, 2008; The PricewaterhouseCoopers, 2007).

Solution that firms come up with is to invest in firm as much as possible to assure needs of family members (96%) by becoming sustainable and legislated for future generations (76%) with these investments (ICFIB and Praxity, 2009). Kinds of investment fields in firm are given in Figure 1.10.

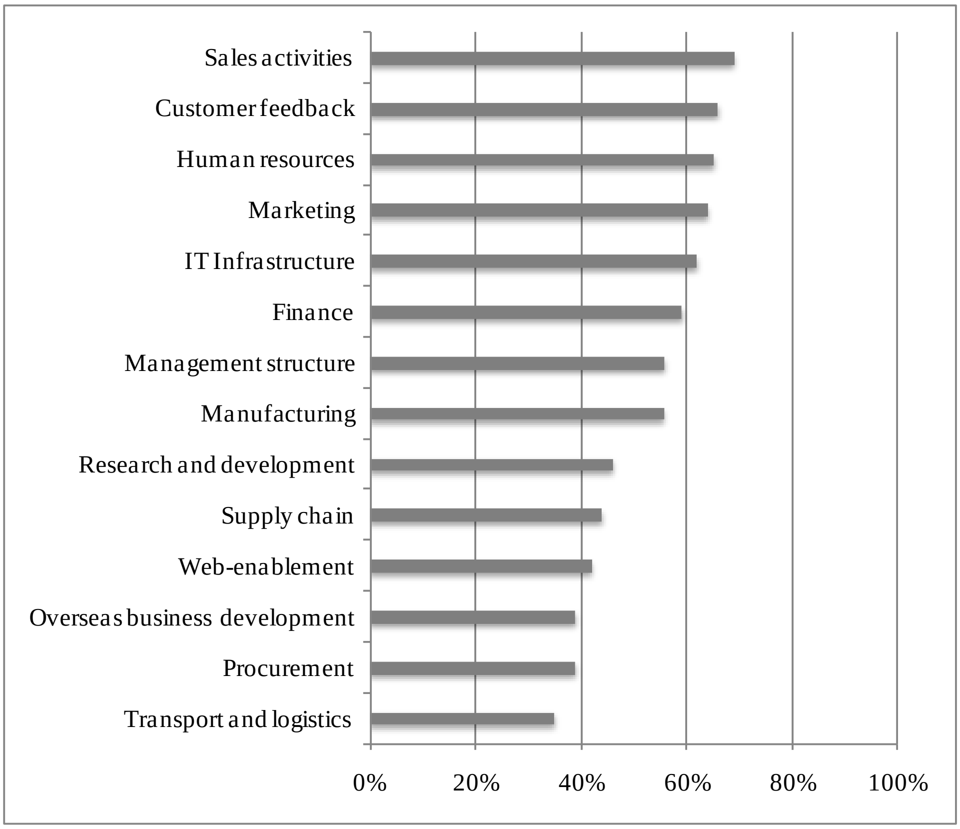

Figure 1.10 Firm based investments (Barclays Wealth, 2009; KPMG and Family Business Australia, 2009; MassMutual et al., 2007; O'Sullivan and Koutsoukis, 2008; The PricewaterhouseCoopers, 2007)

Firm based investments can be seen as initial attends to get firm institutionalized especially by making investments on customer feedback (66%), human resources (65.2%) and marketing (64%) systems. The reason for sales activities to appear at top of the list with 69% is the amount of respondents taking place in consumer goods (19%) and manufacturing (15.1%) sectors as mentioned in Figure 1.3. As can be seen from the results, with constantly evaluating technology, IT infrastructure, research and development and web-enablement items take place in the list. For a better understanding of construction firms in Turkey, family firms in Turkey will be discussed in next section.

1.2 A General View of Family Businesses in Turkey

Percentage of family businesses in Turkey varies between 90 to 95% (Alayoğlu, 2003; Alpay et al., 2008; Çalışkan, 2008; Kırım, 2001), which is higher than Asia and, EU region as mentioned before. So, family business dominance and contribution to national economy is undeniable for Turkey if effect of family firms for these regions is refreshed with Figure 1.2. When survival duration is the main issue, 20% of Turkish family firms survive to 2nd, which is a close value to UK and US has, and, only 6% has a chance to reach for 3rd generation era, which is two times more successful than these countries' rates (Alayoğlu, 2003; Alpay et al., 2008; Kırım, 2001). Some of known family firms established in Turkey and their generational statuses are given in Table 1.1.

Table 1.1 Family businesses in Turkey (Karpuzoğlu, 2002)

Company	Owner	Founded in	Generation
Vefa Bozacısı	Hacı Sadık	1870	4
Hacı Bekir Lokum	Hacı Bekir	1877	4
Çöğenler Helva	Rasih Efendi	1883	4
Teksima Tekstil	H. Mehmet Botsalı	1893	4
Kamil Koç Otobüsleri Şirketi	Kamil Koç	1923	3
Eyüp Sabri Tuncer Kolonya	Eyüp Sabri Tuncer	1923	3
Doluca Şarapları	Nihat A. Kutman	1926	3
Tatko	A. Emin Yılmaz	1926	3
Koç Holding	Vehbi Koç	1926	3
Kent Gıda	Abdullah Tahincioğlu	1927	3
Nuh Çimento, Emintaş	Nuh Mehmet Baldöktü	1942	3
Sabancı Holding	Hacı Ömer Sabancı	1946	3
Yeni Karamürsel	Nuri Güven	1950	3
Ördekçioğlu Mutfak Eşy.	Ahmet Ördekçioğlu	1919	2
Uzel Makine	İbrahim Uzel	1940	2
Ülker	Sabri Ülker	1944	2

In addition, SME family firms established in Turkey has an average lifetime of 9.8 years where construction is listed in 9th rank with 7.8 years (Figure 1.11) of average lifetime (Ekonomik ve Stratejik Araştırmalar Merkez Müdürlüğü, 2005).

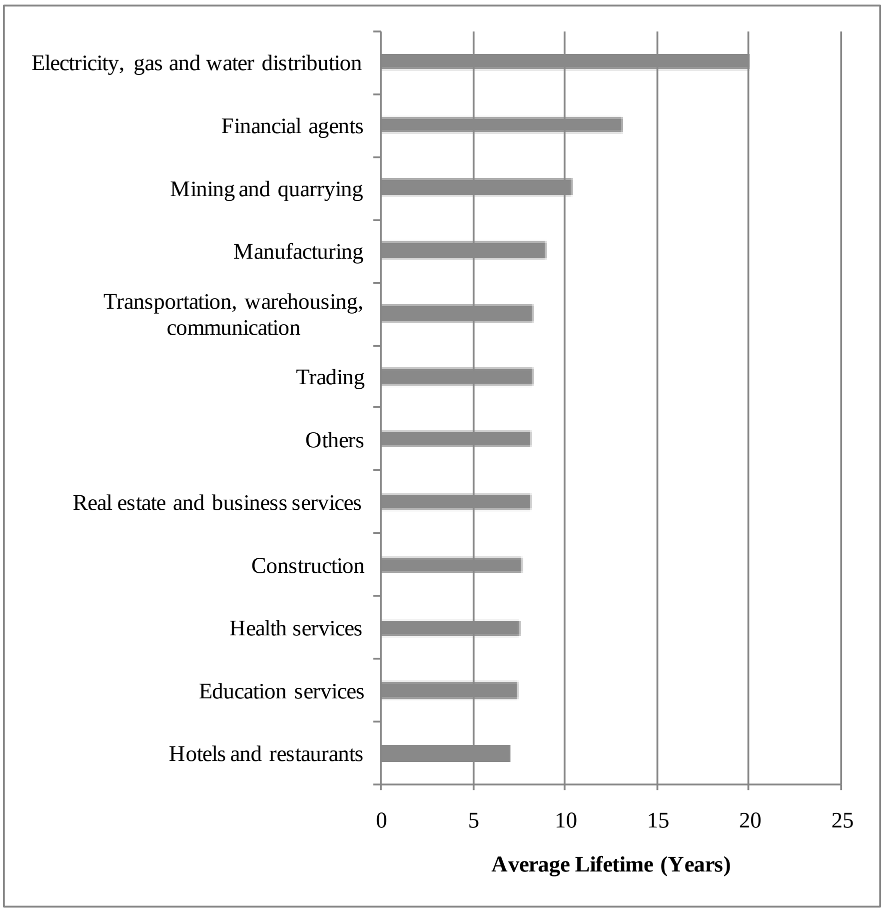

Figure 1.11 Average lifetime of SME's in years (Ekonomik ve Stratejik Araştırmalar Merkez Müdürlüğü, 2005)

According to the study done by Çalışkan in 2008, among sectors that family businesses are active, after production (51.2%) and trading (19.5%), construction sector (15.4%) is the 3rd biggest sector (Figure 1.12). As can be refreshed from worldwide statistics, consumer goods (19%) and manufacturing (15%) sectors are also the first two sectors that entrepreneurs establish their family business on mostly (Figure 1.3).

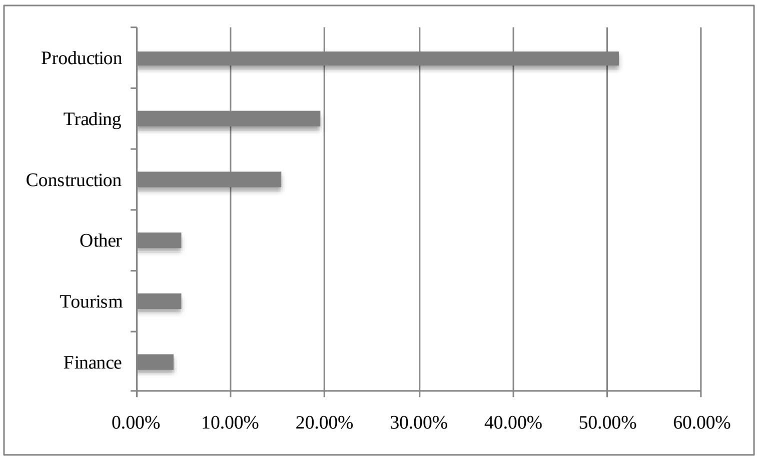

Figure 1.12 Family business rates in Turkey’s markets (Çalışkan, 2008)

Çalışkan (2008) also determined family involvement at managerial levels, which is given in Figure 1.13. Highest involvement rate is observed as a board member with 57.6%, which is much lower when general member position percentage is 85 for worldwide statistics.

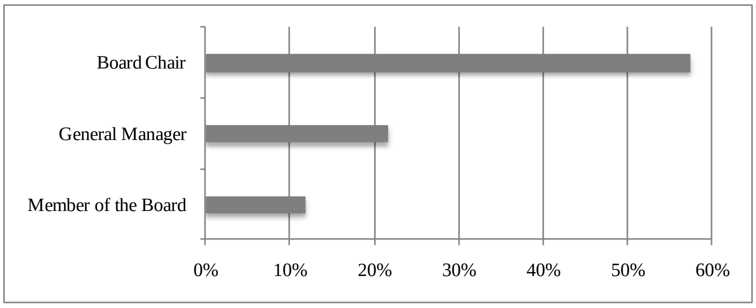

Figure 1.13 Family in business in Turkey (Çalışkan, 2008)

In contrast to worldwide family businesses, where 43.7% of respondents thought that business will change hand within more than 5 years, in Turkey 85% of family business owners think that their business will be stable for 5 years time without any transfer of business (Çalışkan, 2008).

As can be seen from the tables and statistics, in Turkey, firms are not as old established as family businesses in other regions of the world. The reason for that is, management is a new subject introduced in Turkey and there exist not so many literature studies based on institutionalization especially on family businesses. Likewise, in literature there exists scarce data about construction sector and fates of family businesses in this sector during institutionalization process. This research aims to determine; factors that enforce construction companies to get institutionalize, processes and systems introduced to firms for institutionalization and lastly determining what does construction firms get out of institutionalization process including family involvement.

But one can observe easily that construction firms occupy a big portion of market and operate in a wide range of locations, so in order to build this research on institutionalization of family businesses in construction sector, small to medium sized organizations, family business and business growth leading to need of institutionalization should be clearly defined.

2. RESEARCH BACKGROUND

Institutionalization is studied by three branches; politic, economic and social studies. Political sciences handle the case with two concepts; positive theory, deals with domestic political institutions, and regime theory, practicing international relationships of institutions. Focus of positive theory is political decision making which shapes political outcomes with political structures or institutions. On the other hand, regime theory is concerned with institutions that emerge from the international need to assure the order with homogenizing and enhancing general expectations of states. In addition to these, institutional economics' inclination is mainly with the transaction costs of institutionalization. But when we check social studies, institutionalization is handled with organization theory that picture institutions as a consequence of human actions that do not require a rational design (Powell and DiMaggio, 1991).

These descriptions show that, formation of institutionalization influences a wide range of branches. Also, the interactions between these approaches are undeniable, and it is difficult to separate these studies from one another with drawing exact boundaries to clearly define the theory. Most of the time, collaboration of these branches is seen to determine the influence of institutionalization in literature. But, when the three approaches are examined to study institutionalization; with its high amount of studies and availability of research, organizational theory approach appears to be the most suitable one to build our research on. This chapter starts with definition of small to medium sized organizations; continuing with, small organizations with family involvement. Later, business growth is introduced, leading to institutionalization definition. Institutionalization is defined with a selection of definitions taking place in literature and process of institutionalization is demonstrated with an introduction of an institutionalization process cycle. This chapter is concluded with institutionalization degree advised for construction firms.

2.1 Small to Medium Sized Organizations

2.1.1 Entrepreneur and Establishment of a Small Organization

Establishment of a firm begins with the observation of an opportunity which is creating new markets or updating old ones, by an entrepreneur (Eckhardt and Shane, 2003). Entrepreneur is tried to be defined with a person's tendency to; reach out for an achievement, retain control, take risks, generate methods for problems and improvements, lead, protect values and diffuse and have the experience applied (Thornton, 1999). According to George and Jones (2005), entrepreneur aims to follow two aspects; (1) composing "a new project" in order to generate "new products" by bringing together the "organizational resources", (2) broadening the range of the organization for reaching out "new customers". Kao (1991) lists entrepreneur's personal traits, mentioning irrationality of generalizing these traits throughout cultures, like;

- Total commitment, determination and perseverance
- Drive to achieve and grow
- Opportunity and goal orientation
- Taking initiative and personal responsibility
- Persistent problem solving
- Realism and sense of humor
- Seeking and using feedback
- Internal locus of control
- Calculated risk-taking and risk-seeking
- Low need for status and power
- Integrity and reliability

With these traits, an entrepreneur than, assess the opportunity he/she observed, whether there exists enough; financial resources, enthusiasm for self-improvement, family support and experience about the idea (Kao, 1991). After, the entrepreneur checks the perception of the environment that indicates the success patterns of doing business (Deal and Kennedy, 1987). If the outcome of the overall evaluation is enough to satisfy the entrepreneur, the entrepreneur starts to “transform the opportunity into a tangible result” by applying communicative and managerial abilities on “mobilization of human, financial, and material resources” (Kao, 1991).

The first organizational structure is formed with the help of the entrepreneur’s personal implementations. Therefore, being an entrepreneur at the initial stages of the organization requires managerial functions, roles, and skills to carry out the opportunity observed. When Kao’s (1991) entrepreneurial acts are compared with George and Jones’ (2005) managerial acts, common ones came out to be, leading, organizing, planning and controlling functions; leadership, conflict resolution, resource allocation and liaison roles; and human, technical and conceptual skills. But an entrepreneur differs from a manager with the way he/she manages company by taking risks and the way he/she acts. Entering high risk containing businesses easily, making use of marriage and friendships generously and sacrificing his/her own property with the property of shareholders are shown as the risks taken by an entrepreneur. Whereas, taking responsibility of every task, applying personal vision and values, and putting intuition and emotion in the first place are shown as the entrepreneurial acts differing from a manager (Kao, 1991).

Wilson and Bates (2003) define this initial form of organization as “organic” because all components work together and depend on each other in a close relationship (interdependency). As a result, disruption or betterment in a component will quickly affect other components functioning in the organization. Therefore it becomes important to identify the meaning of an organization.

People, transforming their “knowledge, skills, personal qualities, calibre, pay expectations, market value and motivation profiles” into action with the help of “tasks, functions, technology, functional areas, roles/jobs, responsibilities, levels, location, role relationships and organizational from” (Wilson and Bates, 2003). The structure adjust and associate these elements in order to overcome uncertainties (Galbraith, 1973), complexities (Woodward, 1965), rates of changes (Lawrence and Lorsch, 1967), allocation of authority and the availability of resources (Pfeffer and Salancik, 1978) resulting from the environmental dynamism that the firm survives. Another organization definition subjects a qualified group of people, who associate to complete a wide range of objectives, to define an organization (George and Jones, 2005).

An organization manages and sustains the organizational operations including “workflow, communication channels, leadership and motivation, group and team processes, training and development, recruitment” that develops a structure containing “policies, procedures, standards, information system, appraisal system, pay structure” to lead the organization and enable controlling (Wilson and Bates, 2003).

Infant years of the firm benefiting from the small structure of the organization in many aspects, are summarized in Figure 2.1.

Besides, small organizations as the name also implies plays as the small capacity the organization has. In other words, organization is bounded because of this small capacity. These boundaries bring out the disadvantages given in Figure 2.2.

Employees	Authors
• High collaboration for the success of business is demonstrated • High performance of the employees is obtained with an increase in; responsibility feeling, teamwork to deal easily with challenges, self-improvement, fulfillment with each task they accomplish, feeling the control of their career • Employees carry the responsibility of the work until the completion of the process • Teamwork is derived from employees; collaboration, assisting each other, sharing information among each other, helping each other to provide the completion of primary tasks, knowledge of each other's roles and responsibilities. All can be between the reasons why a small organization is efficient, coherent and easy to control • "Peer-group" is effective for benefiting each employee from each other as much as possible • Low turnover rate generates appreciation and high attendance of employees • Employees are contented with the auditing done inside the organization, because mostly the process depends on trust	Deal and Kennedy, 1987 Goldschmidt and Chung, 2001 Kao, 1991 Lawler III, 1997 Wilson and Bates, 2003

Systems and Structures	Authors
• Role and responsibility cognition of employees are created with clearly defined goals and standards • Conflicts related to hierarchy do not exist because it is ensured that employees are aware of the highest level is occupied by entrepreneur and the remaining is aligned below • A less formal structure is formed and costs and interruptions resulting from processes and employees' coherence are reduced • Familiarity between colleagues decreases the cost and formality of communication in the organization. So, communication in the organization becomes "fast and direct" • Entrepreneur can easily interfere to help employees how to overcome bottlenecks and how to assess priorities • Innovation is faster because both the small number of employees and low complexly formed structure of the organization comply easily with change	Kao, 1991 Lawler III, 1997 Wilson and Bates, 2003

Environmental Coherence	Authors
• Small organization maintains a fixed small number of customers when compared to large organizations by meeting their needs fast and within standards • Small organizations' undeniable positive effect on the nation's and sector's economy with their employment, trading and service capacity, which is very high when number of small firms is considered as a whole • Loosely structured organization is easily adaptable to the changes which are the demand of sector • Government act with suspicion towards small organizations, so audits are less than the audits done to large organizations	Birdthistle and Fleming, 2007 Deal and Kennedy, 1987 Lawler III, 1997 Omar et al., 2009 Sharma, 2004

Figure 2.1 Advantages of small organizations

Employees	Authors
• In time peer-group members tend to be the only one who has the knowledge and experience on specific subjects. As a result the member stop sharing the information or the knowledge he/she has, interrupting the communication and process where the dependency on one person issue emerges. Also the transfer of experience to junior employees is blocked	Goldschmidt and Chung, 2001
• Lack of diversified personnel or support systems also implies employees try to overcome this deficiency with endeavoring for their own good	Omar et. al., 2009 Pitta, 2008
• Disregarded employee education, small organization becomes unsuccessful in; motivating employees to get in competition and improve their "knowledge and skills"	Wilson and Bates, 2003
• Employees are not fully content with the salaries and promotion as the ones in large organizations	

Systems and Structures	Authors
• Entrepreneur is involved too much to the process of the business, which makes him easily reachable, so that, entrepreneur starts to waste most of his/her time to small details of the business, missing the whole picture	
• When there is a need for procedures and systems emerges or the existing ones are not sufficient, employees try to form the structure which corresponds to these needs or process without them. On the other hand large firms, with their control systems, can detect and meet these requirements more easily with their structures which are already established	
• In small organizations, strategies may depend on emotions, so there is not much done to compare the emotional decision with organization's vision	Bird et. al., 2002
• A new idea is either left undone or turned into a tangible result without any evaluation made by either professional or a research and development department, before application	Lawler III, 1997 Pitta, 2008
• Lack of diversified personnel and experience takes away the opportunity from a small organization to reach out for a different range of information and follow different markets, when deciding upon organization's strategies and objectives	Wilson and Bates, 2003
• Absence of human resources department causes deficiencies in personnel encouragement for; improving creativity, increasing innovation, bringing coherence, generating business, attracting qualified people and provide fairness, which will lead the company to perform better and provide loyalty	
• Un-encoded rational system that will work for next generations triggers chaos when the time of firm handover appears	

Figure 2.2 Disadvantages of small organizations

Environmental Coherence	Authors
• Small business have the etiquette that sounds negative to most of the investors because of, deficiencies in growing, generating new methods/products and intensive paternalism • Small organizations, built upon entrepreneur and creativity, ought to modify themselves quickly to the vague environment they live in with ensuring “integration and coherence” of the organization which endangers the consistency of the small organization when compared to large organizations • Because of the environmental ambiguity, small organization doesn’t have enough capacity to satisfy high amount of customer and cannot become dominant in the market • Small organizations are impotent when compared to large ones which can reach resources easily and be effective in the global market. Also, Because of the difficulties in reaching out resources, small organizations may lack in updating technology and services • Deficiency of departments causes a heavy information load about; “global market access, tax, regulatory frameworks, trade rules and other legal and advisory services” • If the organization remains small, it will deprived of; financial permanence according to investors, brand recognition which delivers cognition of customer for new projects, bargaining with governments, financing initial investments to ensure bigger ones • The mission of the organization is built upon small aspects and the organization becomes similar to the ones in the market and loses their uniqueness in time	Bird et al., 2002 Lawler III, 1997 Omar et. al., 2009 Wilson and Bates, 2003

Figure 2.2 Disadvantages of small organizations (continued)

Definitions, advantages, and disadvantages of small organization intersect with another organizational form that includes nearly, but not exactly, the same organizational, managerial, and economic and governance structure, which is named family business. As mentioned in introduction chapter, a considerable amount of percentage distribution of family businesses and their contribution to national economy is shown. In conclusion, term family and family business should be clarified with its advantages and disadvantages.

2.2 Family Business

Family is vital in most of the businesses because of their involvement in the business and family business is tried to be defined by a lot of researchers and still new perspectives are developed to define this phrase. Below, Table 2.1, is given a table from the collection of studies done by Dyer (2006) and Birdthistle and Fleming (2007).

Table 2.1 Family business definitions in literature (Dyer, 2006; Birdthistle and Fleming, 2007)

Year	Author	Family Business Definition
2000	Gallo, Tapies, and Cappuyns	Designation of family firm left to the judgment of the person answering the questionnaire.
2000	Klein	A family business is a company that is influenced by one or more families in a substantial way. A family is defined as a group of people who are descendants of one couple and their in-laws as well as the couple itself.
2001	McConaughy, Matthews, and Fialko	Public corporations whose CEOs are either the founder or a member of the founder's family.
2001	Gomez-Mejia, Nunez-Nickel, and Gutierrez	Determined by the relationship between the owners, the CEO, and editor. The CEO had the last name of the owner(s) or in the case of the editor, family status was confirmed if the CEO and the editor had the same last name.
2003	Anderson and Reeb	Family firm criteria: (1) the family continues to have an equity ownership stake in firm; (2) family possesses board seats; (3) founding CEO is still the acting CEO or descendent of CEO is acting CEO.
2003	Tanewski, Prajogo, and Sohal	Owners decide whether or not they are a family firm and these criteria must exist: 50% or more of ownership held by a single family; a single family group is effectively controlling and managing the business.
2003	Birdthistle	A proprietorship, partnership, corporation or any form of business association, which is classified as an SME and where the majority ownership is held by the family and family members are employed in the family business and/or the family is represented on the Board of Directors.
2004	Villalonga and Amit	The founder or a member of his or her family by either blood or marriage is an officer, a director, or a stockholder.

Table 2.1 can be enhanced with more definitions, but it is more essential first to make the definition of family to comprehend the difference a family serves to the firm. DeFrain and Asay (2007) refers to the American Association of Family and Consumer Sciences (1975) definition, which is; "A family is defined as two or more persons who share resources, share responsibility for decisions, share values and goals, and have a commitment to one another over time. The family is that climate that one comes home to and it is this network of sharing and commitments that most accurately describes the family unit, regardless of blood, legal ties, adoption, or marriage". Where, marriage, blood or adoption of a member is not considered as a burden.

On the other hand two people associated to each other and identify themselves as family is used to define what family means (Bowen et al., 2000). Also, a family is built upon affiliation, confidence and culture (Wilson and Bates, 2003). Another different perspective about family definition belongs to Segrin and Flora (2005); family is a group of people which contains at least one person to carry out activities like, "socialization, nurturance, development, and financial and emotional support". A general family description belonging to Fındıkçı (2005); a family is where intense emotions dominate the relationship and communication between the members of a small social unit.

Family's role is, to obstruct the dissipations and develop respect to provide sustainability for a long time (James, 2006) and build the structure including the members who are associated to the founder by blood, marriage, or adoption, residing in the same place (Philbrick and Fitzgerald, 2007; Mehrotra, Morck, Shim, and Wiwattanakantang, 2008). Family quality is the indicator of industrial success of a national economy (James, 2006).

In our research, our first aim is to build a healthy structure of firm and make it sustainable without giving any damage to founder and founder's family. In the light of these family definitions it is now more helpful to define family business with the researches made last years. The reason for recent studies is that the family structure is a dynamic form changing with the changing ethics, culture and environmental facts. This brings out the question that, if “family” one of the elements of “family business” term is vague, is it possible to make a clear definition of family business? For Chrisman and colleagues there is an existence of deficiency while defining the term “family business” (2005).

Deficiencies in; defining family firms and determining the way family firms differ from non-family firms, are due to various kinds of family characteristics that influence the business process and the result of this business (Chrisman et al., 2005). Although academic researchers are not considered enough to define family business, in their research, Chrisman et al. (2005), indicate four perspectives to define family firms which are; “a family’s influence over the strategic direction of a firm”, “the intention of the family to keep control”, “family firm behavior”, and “unique, inseparable, synergistic resources and capabilities arising from family involvement and interactions”. Other researches focused on family businesses defined family businesses are also added for gaining a wider aspect.

The synergy of business and family interests, where family benefiting from the firm by professional way of doing business and business benefiting from the family with the culture ready to be applied, brings out the family business definition (Johannisson and Huse, 2000). Tsui-Auch (2004) adds the family control to family ownership and management in defining family business. Continuous interaction between family members in business is distinctive to family businesses that clarify their general market and hierarchy independent behavior. This depend on the families’ characteristic or culture formed by relatives and close milieu and undisturbed by environmental facts (Luo and Chung, 2005).

Family business’s content is influenced from family’s “roles of dominance, submission, rebellion, and conciliation” which took many years of family to form them (Leaptrott, 2005). In their studies, Royer et al. (2008) takes the family firms as the firms whose proprietorship belongs to family and family is in the position of either managing or leading the firm.

A prominent feature of family firms is that the founding family members often own a large cash flow stakes and play multiple roles in managing and governing the firm family firms. Family firm is the one where the founder (or successor family members) holding the majority of the shares (ownership) and/or managing the business (Mehrotra et al., 2008).

Chua et al. (1999), and later Mehrotra et al. (2008), defined three possibilities to define family businesses when the focus is on ownership and management; "family owned and family managed", "family owned but not family managed", and "family managed but not family owned". As the possibilities mention, either ownership or management, or both includes family involvement (Niehm, Swinney, and Miller, (2008). Despite having the same form of family business (one of the combinations stated above), either by ownership or management, families still may differ with their missions from each other. Plus, although family's involvement is related with business objectives, still family involvement is not guarantee of business objectives (Chua et al., 1999).

Miller and and Le Breton-Miller also participate in the definition of family firms as the ones owned fully or partly by family members, where directing and leading of the firm is optional for them (2006). According to Chua et al. (1999), family members taking part in a family business can be; "an individual; two persons, unrelated by blood or marriage; two persons, related by blood or marriage; a nuclear family; more than one nuclear family; more than one nuclear family; an extended family; more than one extended family or the public".

Family members in business embody two identities; one is emotional and the other one is rational like the family business (James, 2006). Emotional one is named as "family identity" and related to the benefits resulting from family manners whereas rational one is called “business owner identity” and this time, benefiting from ownership of the business appears (Shepherd and Haynie, 2009). So it can be said that, leaders of family businesses are linked emotionally to the family regardless of their kinship with family (Miller and Le Breton-Miller, 2006).

To sum up, this research is based upon the definition of Chua et al., also used by Shepherd and Haynie in 2009 and by Walter in 2009, which is; “The family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families” (1999).

2.2.1 Advantages of Family Businesses

Family firms show so many similar characteristics as small organizations. This is because, almost every family business processes the small organization phase when the entrepreneur (founder) establishes the firm. Also, like small organizations (firms), family firms play a big role in the economy of each country (Chrisman et al., 2005). On the other hand, as mentioned before, family business differentiates from other businesses with its “ownership, governance, management, and succession” which have effect on forming, planning and applying the mission and vision of the firm (Chua et al., 1999). As a result, one must also consider the additional advantages and disadvantages that are specific to family businesses, because the influence of family involvement on business and the influence of business performance on family cannot be ignored.

- Families’ governing business, give particular importance to concerns about; sustainability of family, family gratitude and valuing people with business (Tsui-Auch, 2004).

- Family values, assuring coherence and relationship commitment, come before business values (Habbershon and Williams, 1999). Family members committed themselves totally to the family, feel successful (Niehm et al., 2008). Family's norms and values are applied by family members, who take place in every kind of level in the firms' hierarchy regardless of their affinity, will cause the coherence and contribution of non-family members to these norms and values of the business. So the possibility of adverse behaviors is rarely seen by family members (Habbershon and Williams, 1999; Leaptrott, 2005).
- Culture required by the business is ready with the family involvement to the business for generations (James, 2006). Further, family culture enables alliance between two family businesses that having similar culture and working internationally (Habbershon and Williams, 1999).
- Transaction cost of trust and prior informal social relations, which is generally marketed by most of the mediators, decreases as the increasing involvement of family members to the business (Zucker, 1987; Habbershon and Williams, 1999; Luo and Chung, 2005).
- Agency costs are lower for the founder family owned businesses because of the altruism between the family members and family business manager, each, showing the altruism to the other party with same intensity (Chrisman et al., 2005; Miller and Le Breton-Miller, 2006) and due to mostly intersecting mission and values (Habbershon and Williams, 1999; Dyer, 2006).
- Altruism, also, between family owner, who is also business manager, creates conditions, which make a family to have a sense of obtaining lower costs, making the family business more competitive (Chrisman et al., 2005; Luo and Chung, 2005; Astrachan and Jaskiewicz, 2008).
- Family owned businesses also act altruistic to the society they take place to from a positive reputation about the family (Astrachan and Jaskiewicz, 2008). This kind of altruism deliver, business growth in size and scope (Niehm et al., 2008).
- Altruism may lead the family members' eagerness or patience to enable sustainability for a long time by enduring difficulties of an extreme modest life

(low overheads, low recruitment costs, non-rigid decisions and not fully structural bureaucratic processes) for a time period in order to be more effective and provident competitors (Habbershon and Williams, 1999; Chrisman et al., 2005; James, 2006). In addition to these, family members provide down payments or loans and establish relations in various kinds of cities (James, 2006).

- Family businesses' inaccessible financial reports and business process makes family businesses more competitive against non-family businesses (Habbershon and Williams, 1999).
- Well defined long-term objectives, continuous self-criticism and, democracy in family when making decisions helps to increase the capacity of a firm to adapt changes (Habbershon and Williams, 1999; Mason, 2006; Alpay et al., 2008). Besides, family businesses are more apt to change quickly to the existing business conditions and less affected by global changes that may cause economic downturns (Habbershon and Williams, 1999).
- Consistent family authority and rules, management from one center and trust between family members provide resilience and high performance, accelerate decision making and dispute resolution, and decrease costs when the firm falls into a critical crisis (Habbershon and Williams, 1999; Tsui-Auch, 2004; Sharma, 2004; Luo and Chung, 2005; James, 2006).
- In countries, where serious unexpected developments and unsteadiness dominates (developing countries), family businesses brings out the desired trust that shows perseverance of the family in this environment by making investments for recruitment and social capital. This proves the importance of family businesses in national economy (James, 2006).
- Circulation of information, especially seen in between family members who develop a special language, generates a faster, effective, and mostly informal and widely spread communication, lowers monitoring and control costs, contract disputes or cost for contract dispute resolution are more available in family businesses (Habbershon and Williams, 1999; Luo and Chung, 2005).

- Sustainability of vision and objectives of family will emerge the awareness in organization to institutionalize the coherence of family and business, where the institutionalization provides benefits for the family members by reforming members' attitude and thoughts on behave of the business (Chrisman et al., 2005). Long-term investments, engendered from; long-term incomes, reduced decisions, research and development, training and low expenses, also ensure the sustainability and long-term income of family (Miller and Le Breton-Miller, 2006). Family managed businesses display "lower debt/equity levels" and gain much more profits from the investments done which is a sign of good management of capital and effective resource allocation (Habbershon and Williams, 1999; Miller and Le Breton-Miller, 2006). As a result, family health and stability is ensured with well defined structures (Birdthistle and Fleming, 2007) built by business within many years (Astrachan et al., 2003).
- Family members are more careful in order to be legitimate when shareholders' long-term benefits are considered (James, 2006).
- Family holding most of the shares of the firm results in the augmentation of the firm value, though it is sometimes hard to define this value because of its components coming from family (Royer et al., 2008), and this value is directly proportional with the amount of share belonging to the family, independent of the family kinship of the CEO (Chrisman et al., 2005; Mehrotra et al., 2008). This results in formation of trustworthy, loosely organized structure of family firm (Habbershon and Williams, 1999).
- Better family relationships and more family member involvement in business improve both group and firm performance (Luo and Chung, 2005; Miller and Le Breton-Miller, 2006; Mehrotra et al., 2008).
- Family businesses, shows success in the first year sales of new ventures and international operations, because of working more efficiently and causing high profitability rates (Chrisman et al., 2005).
- In the sectors, where businesses are built with low costs of establishment and production, are generally "small-scale manufacturing and franchising", there exist a gap between the acquisitions and wages on the behalf of wages, but

family business becomes more advantageous again with the help of reciprocal altruism (Chrisman et al., 2005).

- In unsteady environments, where markets are competitive and complex, and businesses requiring not complicated technologies, fast growth and labor intensive, there exist needs for long-term vision, specific attitude in preparing contracts, honest and trustable employees, which are available in family businesses a lot (Habbershon and Williams, 1999; Johannisson and Huse, 2000; Mason, 2006; James, 2006). In addition to that, in the “chaotic and disrupted” times of the country and the sector, the family business becomes effective with its mediate organization (Mason, 2006; James, 2006).
- Another role of the family is to inhibit the leader who attempts to enlarge the business when the environment is vague and formed high amount of speculations (James, 2006).
- Ownership and management dominated by family, makes the firm more valuable when the local political and legal systems do not provide enough protection to prevent encroaching the right of minority shareholders against majority shareholders (Chrisman et al., 2005).
- Old-established family firms can form and perform calm and long-lasting strategies and relationships with shareholders by providing a consistent and effective change, blocking the environmental intervene or dominance (Chrisman et al., 2005). Therefore bankruptcy rates are smaller for family businesses when compared to non-family businesses (Mehrotra et al., 2008).
- Family business gains more value and reaches to resilient, loyal customers with family reputation, strong and wide range of contacts (suppliers, customers, and non-family shareholders) (James, 2006). Contacts use the advantage of connecting directly to the responsible family member (Habbershon and Williams, 1999) and reaching for a high quality product (Astrachan and Jaskiewicz, 2008). Dyer names this advantage as “social capital” and points out the greatness of this capital for family businesses when compared to non-family businesses (2006).

- Reliability, fairness, social justice and generosity of family business to customers, suppliers and employees, construct integrity and commitment traits of the next generation. These traits, if they are the keys for achieving an outstanding business, sometimes get ahead of technical skills of the candidate successor manager (Johannisson and Huse, 2000; Chrisman et al., 2005).
- Knowledge, like the ones gained from books or by education, resource from facts and theories that are easy to reach, because of their clear expressions and systematically arranged. On the other hand, experience, actions and training that are precise to the conditions for the time being, which is hard to transfer to other people (generations) because of the difficulties in translating the knowledge to a written form, are named as "tacit knowledge" (Chrisman et al., 2005). Tacit knowledge is composed of; acquaintances, networks and skill of influencing employees to work efficiently and in coherence within domestic conditions and structured operations and gained by learning, applying and perceiving (Johannisson and Huse, 2000). Though, the tacit knowledge developed by generations of family members sustains the successful and competitive firm's existence for a long time, by maintaining the access of successor generations to tacit knowledge (Johannisson and Huse, 2000; Chrisman et al., 2005, Davila, Foster, and Li, 2008).
- Family's long-term interaction and the experience gained throughout the process of business will make the tacit knowledge available to the successor family members. So reaching for the tacit knowledge is much easier for family firms than the employees of non-family firms, because in non-family businesses, employees work for a short span of time when compared to actively working family members of family firms (Leaptrott, 2005).
- Institutions are useless unless there is no guarantee of future investment which is considered to children raised according to the equity and justice demand (James, 2006). Therefore, a family, selecting successor manager from family has more advantage and becomes highly profitable, when the environment, that the firm takes place is vague and the business is in need for a tacit knowledge (Johannisson and Huse, 2000; Royer et al., 2008).

- Despite, making the tacit knowledge attainable and reducing the cost of success transfer, appointing a family member to manage the business is logical in another way. Giving shares to a manager who is not a family member causes both loss of shares and profits gained from these shares, where the amount of loss increases with an increase in the ability of the manager (Royer et al., 2008).
- Owners, managing the business, make available; the economic rent, access to the knowledge and residual claims, which later turns out to an undeniable negotiating power (Chrisman et al., 2005). Besides they use their personal resources for the benefit of the firm more when compared to non-family managers (Dyer, 2006).
- A non-family member manager is only appointed when the family is in need for the manager's educational traits, professional experience, and success in that market. In addition to these the non-family manager has to show effectiveness of his/her traits and loyalty to have a promotion which is limited in many ways. Whereas the results showed high capability of families, in transferring the tacit knowledge, with manager positions that are filled mainly by family members and resigned by non-family managers (Johannisson and Huse, 2000; Tsui-Auch, 2004).
- Long-term employment, especially valid for permanent CEO's, and low turnover rates are sustained by the family members in the firm when compared to the non-family managers, who tend to stay for a short-term and not devoted. For example, family top-managers are not constrained by an employment time, they behave free of fall or rise in the firm value (Morris, Williams, Allen and Avila, 1997; Tsui-Auch, 2004). As a result there is a big employee asset formed of family member employees (Dyer, 2006) and there exist a business for members of families to work (Birdthistle and Fleming, 2007; Astrachan and Jaskiewicz, 2008).
- Family forms strong loyal and trustworthy relationships which give opportunity to family employees to be better trained, more flexible, more efficient, creative, and motivated, paid better than non family members and

benefit more both financially and non-financially (Dyer, 2006; Astrachan and Jaskiewicz, 2008).

- Family managed but publicly owned family businesses are; “having higher profit margins, faster growth rates, more stable earnings, and lower dividend rates” (Habbershon and Williams, 1999; Astrachan and Jaskiewicz, 2008).
- Family members in business are bold to act unusual ways and honest in explaining the developments (James, 2006).

2.2.2 Disadvantages of Family Businesses

Financing the debts, leading the strategy, management, and ownership properties, issues, and professional help requirements and the risk taken are similar difficulties that both family and non-family businesses try to overcome (Chrisman et al., 2005). Interaction between family and business turn out to be advantage or disadvantage within time (Morris et al., 1997). But as mentioned earlier, disadvantages dedicated to the family businesses has to be clarified in order to understand the family business concept fully. Here are the negative effects of families on family businesses;

- Managing business has priority over family management, but when the business is family owned and managed, meaning that the firm’s board is composed of family, family management gains equal importance as business management (Royer et al., 2008). As a result family management dominates (72 % of the board) the business (Birdthistle and Fleming, 2007). If there occurs to be an imbalance between the emotions of the family and the rationality required by the business, then developed conflicts will drag the family and the business to cul de sac (Morris et al., 1997; Tsui-Auch, 2004; James, 2006; Astrachan and Jaskiewicz, 2008). Conflicts can be due to; excessive growth, successor options, business diversification, ordinary issues like working hours, marriage and disregard important family events (Shepherd and Haynie, 2009). Within time, the board will turn out to be a place where family conflicts are handled with emotions playing a big role through the decision making process. Acts built upon “affection, trust, morality and custom” will turn out to be “rawest and most wounding of emotional conflicts” if any one of fundamental is retrogress (Wilson and Bates, 2003). Besides emotions, opportunist acts of family members can use resources unconsciously (Dyer, 2006). As a result, a professional (most probably a CEO) is seen as a solution for this dilemma (Johannisson and Huse, 2000).

- In, family, business and owner triangle, confusion and inability to manage these three roles, is named as “identity conflict” causes the family member manager act inconsistent and out of expectations, lowering the negotiation ability (Shepherd and Haynie, 2009).
- Management decentralizes throughout generations leading an increase in informal control or loss of control (Morris et al., 1997). One reason is the entrepreneur’s family culture affecting the way the firm getting institutionalized (Alpay et al., 2008)
- Bankruptcy of family business mainly provokes other business opportunities of family members who are positioned at managerial levels (Morris et al., 1997).
- Professional, non-family member managers in the business, at key positions, perform better when compared with family members (Chrisman et al., 2005), this is also true when non-family firms and professionally managed firms are compared with family firms (Mehrotra et al., 2008). Because professionals make it easy to bring in legislations and regulations that are tailor made for the business and firm in employment and workplace areas (Powell, 2007).
- Provide a long-term income to ensure future generations’ wealth by investing in a financially not logical project, diversifying the risk without considering the cost of diversification by making investments in businesses other than family business, investing in businesses to increase the reputation of the family, investing insistently to the founder established business even if it loses value, and even though it costs more, employing family members are emotional and non-financial benefits of family from business (Astrachan and Jaskiewicz, 2008). If financial support coming from family resources is “generic, fluid,

unspecialized and easy to substitute", the resource of support or in other words family, loses its importance of existence and risked easily (Chrisman et al., 2005; Miller and Le Breton-Miller, 2006).

- Supporting business with an outside shareholder (Tsui-Auch, 2004) or having a consultant outside family for advice (Birdthistle and Fleming, 2007) is mainly seen as a betrayal of family name and with this possible opportunities and growth options are constrained unintentionally.
- Business owners expend more than a project cost for satisfying the owner's emotional expectations or preserving social status which is an evidence of, family giving less value to money. This will cause beneficial disagreements between family and business, and drag business to loose value and to make unhealthy decisions (Astrachan and Jaskiewicz, 2008). As a result, aims to maximize profits and performance improvements will be jeopardized (Luo and Chung, 2005).
- Performance of professionals who are not family members, decreases as the family members owning the business acts in a way to decrease agency costs (Chrisman et al., 2005). This act instead results in higher agency costs than intended (Dyer, 2006).
- Although family businesses at first, captivates professionals with high possibility of good positions which will be available in a very short time but, professionals are mainly search for a well established structure with substantial finance (Johannisson and Huse, 2000). Whereas, family members in the firm are seen as obstacles by professionals when there is a possibility of a higher position in the firm (Morris et al., 1997).
- Not only members of family take place in business but also (especially for Taiwanese firms) friends colleagues and people from hometown of the founder family appear in the firm (Luo and Chung, 2005). Family tends to increase the tendency of choosing the employees (especially to key positions) from the region where their origin comes from, in order to provide congruence in firm with the characteristics, values and standards of these employees. As a result, institutionalization processes under normative forces more and the family

business loses its diversity. Lack of diversification means that the family will infer congruent decisions most of the time where various aspects are rather frequently needed in order to make reasonable judgments (Leaptrott, 2005; Luo and Chung, 2005; Dyer, 2006). Johannisson and Huse, in 2000, have found that nepotism highly influences the choices about managers whether to be from family or not, resulting mainly in advance of family members.

- Increase in number of family members working in the business does not increase performance and success rate (Chua et al., 1999) of business up to a threshold level (is determined as 60 %) where family member employment advantage turn into disadvantage. For more diversified family businesses this percentage is higher (nearly 80%) but the time taken for performance to decrease is much shorter (Luo and Chung, 2005).
- Instead of competent professionals, there also exists a habit of replacing low performing family members in the business with new family members, without considering their abilities and profession, which mainly does not improve the existing performance and stays as a visual show (Luo and Chung, 2005; Birdthistle and Fleming, 2007).
- Founder of business can act harmfully individualistic and involved in day to day operations frequently (Birdthistle and Fleming, 2007) violating “peace and harmony” in the family (James, 2006). In addition to paternalistic approach of the management, religious traditions of the family have effect on the family values that influences business, (James, 2006). Above all, individualistic success only brings pride, however managerial investments brings organizational development (Morris et al., 1997).
- According to James (2006), family businesses vanish within time because of the intention to provide management status to the family members of future generations. The main reason for this disadvantage is explained as the narrow vision, opportunist and inadequacy of the successor manager in managing the business with his/her capacity, competency, talent and interest (Tsui-Auch, 2004; Dyer, 2006; Royer et al., 2008). Although, successors that have been working in family business are affected by family members, who even do not

take place in daily business, of prior generation. Successors are affected by the impression of the deontology that the family has or by the choice and directing structure of business when there exist the responsibility of taking proprietorship, including equity or debt, of the business (Leaptrott, 2005). Since competitive advantage is obtained by knowledge gained with “learning-by-doing process”, including the cognition of employee relationships and confidential information about the business, competitiveness of the business is endangered by uninterested successor managers (Royer et al., 2008). On the other hand in family, more importance and value is given to informal education of successors than the professional education, successors took (Birdthistle and Fleming, 2007).

- Sustainability of the business is interfered with the inheritance sharing process. Unexpected death of the existing generation, who hasn’t constituted a succession plan yet (Birdthistle and Fleming, 2007), will empower widows and mostly starts up the disputes. Because business confronts danger of business dispersion or structuring business will slow down, even stops (Luo and Chung, 2005) the other reason is the options of candidate successors (James, 2006).
- More options for a successor manager inside the family means more conflicts and require much more time to solve these conflicts (Chua et al., 1999). On the other hand, there exists a risk of selling the business if heirs do not intend to run the business and do not want to force next generations to continue the business. Instead, heirs encourage next generations to build their own businesses by the diversified, other than enterprise is in need of, professions next generations have (Tsui-Auch, 2004).
- Families become unable to change their unusual characteristics to sustain institutional permanence or working in the same national context (James, 2006) by providing coherence with environment, because of problems resourcing from strong affinity, ownership and governance transitions, and contradictory aims and acts (Johannisson and Huse, 2000; Tsui-Auch, 2004; Chrisman et al., 2005).

- Aim to sustain family management with altruism and entrenchment, affect family business act in a negative way causing a decrease in the value of organization, prohibiting or delaying the improvement of needed organization propel the business to perform poorly (Chrisman et al., 2005).
- Free riding, having positive opinions about next generation's performance resourcing resulting from parental instincts, inconveniencies in applying contracts, and acting generously to provide benefits beyond salaries of family members, where all come together forming altruistic acts of a family, causes an increase in agency costs (Chrisman et al., 2005).
- Family businesses feel insecure because of their curiosity of what and how the non-family businesses are structured of (Habbershon and Williams, 1999).
- Family businesses have difficulties in giving a diplomatic fight against the boundaries that the politics put, fading democracy and challenging market conditions where business tries to supply economic growth (James, 2006).
- Foreign investors or financers doubt about family owned but also managed (e.g. controlled, professionalized and shown accountable) businesses. They find these kinds of businesses unreliable due to the fact that their lack of legitimacy (Luo and Chung, 2005) and unequal voting rights (Miller and Le Breton-Miller, 2006).
- An essential thing to consider is whether a decision free from personal benefits is given due to conscience of decision makers or judgment and creativity deficiency of decision makers' (Powell, 2007). Objective, transparent, fair, formalized and professional structure of institutionalization in business do not ensure equality in decision making in family (Alpay et al., 2008). Sometimes family CEOs make illogical decisions, mostly on behalf of family (Birdthistle and Fleming, 2007), with their impatient or sluggish character combined with excessive rights given to them, because of highly distributed shares (Miller and Le Breton-Miller, 2006). Professionals too prefer a family independent board based decisions on competitive market conditions which are brought by outside board members (Johannisson and Huse, 2000). Outside board members are

independent of the business and joins board with their professional experience background; they are not full time employees of the firm.

- Family businesses are slow in growth compared to the non-family businesses in the same sector (Chrisman et al., 2005).

Value, performance of business and revenue increases with the increase in the ownership shares of the family up to a point where the relation acts vice versa with the increase in the shares of family members. Increased control and entrenchment are shown as the outcomes of family ownership and governance (Chrisman et al., 2005; Miller and Le Breton-Miller, 2006).

2.3 Business Growth

Up to this point it has been tried to make a picture of a business which has high involvement of family. As seen in all forms of living things, a firm is also born, grown and dies. In this part of the study, the second phase of this life cycle will be handled, which is growth of business.

It is important to note that, in the establishment stage of the business, in order to generate milieu and business assets, business is based more on interpersonal relations and agreements costing higher than benefits which will be gained for that time. Entrepreneur (first generation managed and owned) firms compete and use the advantage of relations generated from social environment more than “resources and capabilities” they have. This is valid mostly for experienced entrepreneurs, when an inexperienced entrepreneur is the case, than “resources and capabilities” become main tools to compete in the market. Though, within time, business volume tends to increase its size, features and fields of activity with decreasing operational costs plus increasing benefit. Benefits will not turn into opportunist acts as long as there is a limit put by unofficial discipline which dominates the firm and yet, there does not exist a need for an official, expensive and normative outside auditor. However, this relationship is reversed by increase in; number of tradeoffs and not only complex contracts needed to be signed, but also more complicated transaction needed to be completed emerge (Peng, 2003).

Growth is inevitable when there exist a dynamic, competitive, environment and the firm loses its original characteristic, and it is standing at the border of becoming a large business where growth will be a permanent characteristic of the firm (Deal and Kennedy, 1987). On the other hand it is not logical to expand business if the business is only market oriented and, overlook customer and production stages (Wilson and Bates, 2003).

If business starts to grow, “things” must change and this is seen most possible with entrepreneur who notices that existing structure is not sufficient and capable for up-to-date issues. Increase in number of; claims and deficiencies in given services or products, disrupted communication inside firm, employee alienation followed by high turnover rate, in addition to these, decrease in motivation of employees, all emerged as a result of growing number of employees and variations of transactions carried out. These are accompanied with technological developments necessitating modification of existing systems (Kao, 1991; Wilson and Bates, 2003).

First Kao in 1991, and then Wilson and Bates in 2003 mentioned four items concerning readiness of firms in order to satisfy growth, which are;

- observation of continues re-orders, having loyal customers, recommendation of customers about service and constant gross profits are all signs of performing a full service to customers,
- achieving fixed unit costs and sufficient income indicating the entrepreneur’s skill in effective and efficient management,
- keeping records of margins although they are not beyond expectations,

- besides supplying enough and constant working capital from interior financial resources, building up an image to external finance resources in order to obtain necessary credits for future investments by an entrepreneur.

Sustainability of a business is only available with its clearly defined mission and its coherence to the environment it takes place. Mission develops the vision of the business, which is overwhelmed by environmental facts. There exists environment, while mission determines overall goals and aim of the business; with its limited resources and effect on operations in the market, (Kao, 1991).

Need for strategy appears in order to achieve previously mission. “Business strategy” defines the way you construct your organization (arrange resources) to give an effective fight in the market by attracting customers (reaching objectives), and, encountering other competitors with environmental risks at the same time. This clearly defined business strategy should be developed for a two to three years time period. In this time period an archive must be formed including all kinds of reports which are helpful in indicating influences of as many cases as possible. Afterwards, resource allocation is easily made based on strategies of business and arrangements considering current conditions, maximum profitable areas and improvement of least profitable sections of business. This strategy must be defined as simply as possible to make every employee in the firm to comprehend. The reason for that is to give a reasonable sense for doing their work, increasing their motivation level and determining their role and positions in this business (Wilson and Bates, 2003).

Business strategy is composed of six sub-strategies/plans; “strategic business plan, financing plan, marketing and sales plan, production/operations plan, staffing/organization plan and project plans”. Strategic plan is prepared for becoming competitive in the market by determining; market, production, organizational operations and fiscal outcomes. Financing plan is done for calculating the necessary amount of investment and enabling more than one finance resources to carry out the strategic plan made. Marketing and sales plan is elaborated to designate objectives of sales and marketing operations for creating estimated income. Requirements of manufacturing process are qualified by planning the production/operations. Arrangement of human and other resources related to employment for fully motivated and satisfied employers is arranged for developing staffing/organization plan. And finally, project plans initiates and are developed for each project (Wilson and Bates, 2003).

The main reason behind developing a business strategy maintains five elements that makes up the firm which are; strategy, structure, people, processes and systems. First of all strategy development is essential for evaluating options and, identifying peculiarly and fundamentally qualified sort of organization to carry out the strategy defined. Strategy is followed up by building up structure which is formal enough to sustain strategy applied but at the same time flexible enough to overcome any ambiguity. Authority in the structure is delegated for speeding up decision making process. Functions, roles and departments (like; new product department, channel marketing) are defined. Structure should also be open to new department required by the market, give importance to research and development, and separate marketing from sales division (Kao, 1991; Wilson and Bates, 2003).

Third element is arrangement of people, and people is the most valuable and substantial asset of the business. Arrangement considers attributes, knowledge and capabilities of each employee and, assures fit of person to organization, person to task and task to organization. Therefore another department should deal with this arrangement, which is human resources with a human resources professional. This professional assigns right people to right positions; makes necessary arrangements as the market requirements changes; fulfill employee expectations; follow up performance and motivation of employees; organize training programs for employees and support communication in the firm. Communication is enhanced and coordinated for making people be aware of their positions and strengthen their identity. Improving employee skills, orientating people in organization, adopt and improve people to the contemporary environmental conditions has all effect in changing structure of an organization with highly motivated and satisfied employees meaning, an increase in efficiency of people (Deal and Kennedy, 1987; Kao, 1991; Wilson and Bates, 2003).

Drawing the map of process is done for establishing a communication system where information is easily shared and used for making quick decisions. Assembling teamwork and coherence between departments (interdisciplinary work), planning growth and presence of a leader who serves as a model in communication and design are all requisites of this map. Last component is the configuration of the system by; organizing information flow to management, figuring out the cost of working hours and writing down and archiving all procedures. These system configuration techniques aim to increase efficiency and provide an easy control for management system. There is no meaning for reinventing the wheel at all times so, efficiency increases with adding knowledge to employees for standardized actions shown to common cases (Kao, 1991; Wilson and Bates, 2003).

In conclusion, necessity of departments like; product development, finance and accounting, marketing, sales, research and development, information systems and human resources appears with the growth of the business (Wilson and Bates, 2003; George and Jones, 2005). To these, George and Jones (2005) adds manufacturing, customer service, product development, materials management and, engineering departments as necessary.

Growth process can occur during either a generational transition or with acquisition of the business. When compared to generational transition, acquisition of business can be more fundamental if culture, management, control and shareholder relationships are considered. For each case, incoming manager/owner is mainly unconscious about the benefits of existing resources provide, as a result performance of the firm changes because of the change in the governance of the firm (Habbershon and Williams, 1999). But, in this thesis family involvement to this process will be discussed.

Especially growth during generational transition, there happens to be an increase in the demand of large amount of resources causes an increase in the possibility of arguments in family. This will turn out to be a loop within time which leads to a decrease in both growth and performance of the firm (Miller and Le Breton-Miller, 2006).

In conclusion, family and business performance should be evaluated in order to determine the path to be followed for a healthy growth. According to Sharma (2004), family and business performance and financial and emotional outcomes are directly proportional. For example, if family performs well and business is not performing well when compared to the family; the results are "high emotional capital" but "low financial capital". In time, core family, having long-term close relationships before, requires a business structure which is more formal by means of ownership (Leaptrott, 2005). So what is proposed by Kao (1991) and Habbershon and Williams (1999) is, reduced density of family governance with growth which is turning into only controlling of family meaning, decreased family involvement in the firm but on the other hand, increased strategic management for the firm.

Growth is restricted by many factors. In the early stages of business, entrepreneur make investments to business by wraparound encumbrance which can only contains risk of, most probably, "technical insolvency". This can lead to decisions seemed fully safe (especially for shareholders) even if not necessary where continuous growth is interrupted financially (Kao, 1991; Wilson and Bates, 2003). In addition to these, reluctant acts of family about financing firm from an outside resource may be perceived as a betrayal of family meant uncovering of secrets, and will slow down the growth of just because scarce financial resources (James, 2006).

Variety roles of manager owner help to comprehend and dominate business, yet decreases performance to expand the business. For example; when there is a need for an external financial resource, manager owner will have to share full control of finance with the external financer. Or, owner as a strategic manager, making foresighted plans, will come across with the role of manager dealing with daily operations. Also, owner's emotional and financial approach will lead owner's role more to involving in daily operations rather than making strategic decisions (Wilson and Bates, 2003).

Owners may follow a strategy based on window dressing of society or enhancing political relationships rather than meeting technical requirements of the firm for growth. This will end up with a firm perceived as a rent seeking and politically acting organization, not the one providing qualified products or services (James, 2006).

As the business is seen as a resource of subsistence and with its flourishing management social status constituter, business is owned too much by the family leading to a firm composed of family members, especially at management levels. As a consequence, requirement of a professional is mainly ignored (Kao, 1991; Wilson and Bates, 2003). Or, non-family professionals in the firm feels dominated governance of the firm by family members either act obedient or argue with family leading to frustration of professional (James, 2006). Even if the growth of business is overcome, it must be ensured that, family will not endanger shares belonging to them by selling out, which will pose danger business sustainability (James, 2006).

Another thing is that, adopting quality systems might harm the existing structure; the reason behind this is that employees do not provide quality just because of cultural ethic of firm, but just because of a written document order (Wilson and Bates, 2003).

As, mentioned earlier in disadvantages of family business, disagreements and arguments in family needs a professional solution like institutionalization in order to prevent family's negative effect on business (James, 2006). If the main aim is to provide sustainability of the business which will not die with its entrepreneur, it must be structured well enough to act independent of the involvement or interference of entrepreneur or to an individual (Wilson and Bates, 2003). Hence, there must be some other component to provide a healthy growth, support and ensure sustainability of a firm. For many academicians institutionalization is generated as a solution to this and many concerns related incase to protect business becoming unsustainable.

2.4 Institutionalization

2.4.1 Definition of Institutionalization in Literature

Origin and history of the word "institutionalization" will be helpful to start understanding the institutionalization concept. That's why, the nominative form of the word, "institute" needs a definition. According to www.etymonline.com, the Latin etymon of the word institute is "institutus" coming from instituere. When the prefix "in", used today in the same way, is separated, "statuere" is left, meaning "establish, to cause to stand". "To set up, found, introduce" clarifications come out in 1483. If the evolution is traced, www.dictionary.reference.com refers to Old French where "institution" in 1551 acknowledged as "established law or practice". The meaning becomes "establishment or organization for the promotion of some charity" in 1707. In 1905, "institutionalize" appears, meaning "to put into institutional life".

Finally today (2009), institution is defined as; "an organization, establishment, foundation, society, or the like, devoted to the promotion of a particular cause or program, especially one of a public, educational, or charitable character or any familiar, long-established person, thing, or practice; fixture" (www.dictionary.reference.com). When these definitions are browsed, two important words; establishment and stability become prominent. After the pre-study for the meaning, from the dictionary, it is essential to check descriptions of institutional theory, with the studies done as part of organization theory. Some of them can be listed as;

Integrating, configuring, and enabling a consistent economic growth (Polanyi, 1944).

An imprecise, poorly structured, not well designed organization which includes scarce technical processes, turns into a regular, firm and socially uniting organization by institutionalization (Broom and Selznick, 1955).

Besides providing the operational procedures for existing duties, adding and implanting value to these procedures (Selznick, 1957).

Institutionalization includes the clustering of "social processes, obligations or actualities" to form "a rule like status", which builds up a concept and performance (Meyer and Rowan, 1977).

Institutionalization aims, determining the social executers and their legitimized actions or interactions to obtain commonly valid norms and classifications (Burns and Flam, 1987).

Systemizing socially qualified "rule-like" actions and submerging in "formal structures" independent of individuals or conditions, are the two factors appear in description of institutionalization of organizations (Zucker, 1987).
Regarding the common experiences that actors have without personal interests underlying the determination of daily systems causing both kinesis and consistency in an organization (DiMaggio, 1988).

Institutional theory deals with the organizations which tend to show same structural attributes, although they are acting in distinctive circumstances (Tolbert and Zucker, 1994).

Process, that a company starts to depend on rules, standards and procedures rather than people, includes its own way of greeting, business methods and systems resulting in a different characteristic when compared with the other companies (Karpuzoğlu, 2002).

Weber defines bureaucracy as, turning the experiences coming from a process into a system/structure and rules of behavior (Drucker, 2003).
Institutionalization is independency for administrative bodies and thoughts (Haluk Alacaklıoğlu, 2003, Founder of Family Business Consulting).

Emergence, invasion, acceptance, adjustment, immerse, and, invalidity of structures, containing “schemas, rules, norms, and routines” to direct social acts, that are established within time and space is the issue of institutional theory (Scott, 2005).

With its most plain expression, institutionalization is the governance of specified rules comprising every kind of communication and interaction whatever the scope is (Fındıkçı, 2005).

There exists two ways of institutionalization, repetitive acts and practices in societies, independent of individuals, turn into standards or “institution-like” traits within time complying with the pre-determined systems and regulations. These systems and regulations form the culture and character of the corporate (Yazıcıoğlu and Koç, 2009).

Besides these forms of definition, many other definitions about institutionalization exist with showing little differences from the ones demonstrated here. With the definitions above, a common definition of institutionalization came out to be; establishing systems/structures (containing, procedures, rules and standards in compliance with applied norms and regulations) through the experience, gained from daily actions or behaviors, and integrating, adjusting, and embedding these systems/structures into organization with adding value, that resulting in a system that is consistent, dynamic, and, independent of individuals (Figure 2.3).

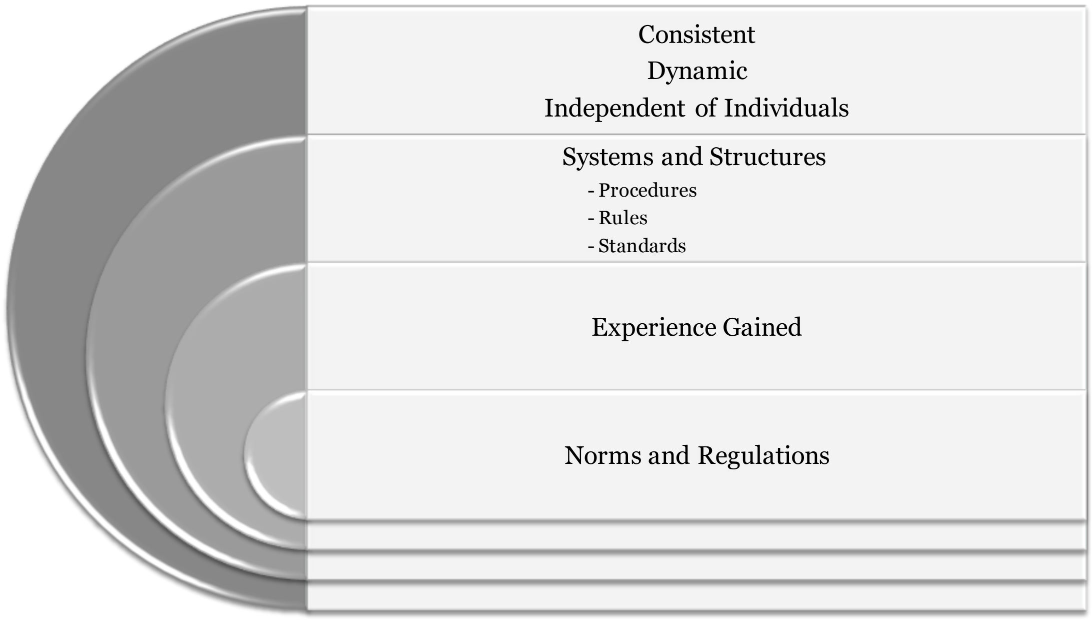

Figure 2.3 Institutionalization definition

2.4.2 Old and New Institutionalism Theories

In Encyclopedia of Governance, Barkanov (2006) narrates historical development of institutionalism studied in organization theory era, starting from old institutionalism concept. First Chester Barnard (1938) tried to describe the relation between organization and people forming organization. He emphasized role of the manager as, a communication organizer and a motivating leader, when his theory is revealing the most important problem of organizations as, lack of correlation between agency and structure. Managers are shown as impressive leaders whose authority is obeyed without any interrogation by employees. It is accepted that full motivation of employees is provided by the belief of a specified mission and creation of a common culture (Barkanov, 2006).

Weber, in 1947, discussed old institutionalism, where his “rational-legal” description is formed, by the strong cultural impacts and dominating act of managers. These two actions comprise motivated employee due to self-benefitting feeling created on employees (Ansell, 2006). If each employee is expected to differ with profession and character they have, it must be accepted that each firm have employee assets different than other, so required and implemented structure of each organization is also expected to be unique. This theory was generated by Selznick in 1950 and takes place today within organizational theory when old institutionalism is concerned (Barkanov, 2006).

Besides, old institutionalism constructed the basis of new institutionalization concept by explaining the environmental effects on the organizational structure, enforcing structure to change. Change in structure will reform a new one which is in compliance with organizational culture. An organization’s flexibility degree to change is expected to happen in leadership style, role association and regulations of these associated areas (Leaptrott, 2005).

Further, Giddens, in 1986, argued collaboration of agency and structure, which forms the stable part of the integral. Though, process of agency forming structure, is an active function, which is time to time either limited or unbound by structure is generated (Ansell, 2006). Meyer and Rowan (1977), Powell and DiMaggio (1991) studied and enhanced “new” institutionalism. According to new institutionalism, institutionalization process is not emerged by authority or acts dominated inside organization. Rather, institutionalization is directed by external and cognitive influences, this assumption is an extension of Gidden and Bourdieu’s theory of structuration (Davis and Marquis, 2005; Leaptrott, 2005; Ansell, 2006; Cooney, 2007; Alpay et al., 2008).

New concept handles process in a more reasonable way when compared to the old one which is based only more on rules and procedures developed according to internal forces. Values, norms and attributes of environment surrounding organization have effect on norms and acts of an organization. With this, organization structure becomes consistent with the environment in order to perform effectively (Cooney, 2007). Separating daily operations from organizational functions and acts is the main focus and examined with organizational theory for more clear visions about the structure inside organizations. In conclusion an institution should be handled not only with people forming that organization but also with organizations inside and different combinations of relations inside this formation (Davis and Marquis, 2005).

It would be better to complete the picture with emphasizing the distinctions between the old and new approaches to institutionalization in literature. Powell and DiMaggio (1991), as supporters and developers of new institutionalization movement, compare and contrast the two approaches.

Old institutionalists show weakness of this process is its unofficial employment, promotions, alliances and groups formed. Due to new approach, weaknesses depend on not clarified organizational structure, because the structure is based on cohesion and fit of culture with organizational interactions. Environment is demarcated as neighborhood society featured “face-to-face interaction” in old institutionalization. In new one, environment is taken as more extended and global including “organizational sector, industries, professions and national societies”. Old theory defines the formation like a body whereas new theory sees formation as standardized systems with weakly bounded components. Institutionalization takes place at mezzo level (Cooney, 2007) (inter-organizational) for old institutionalist theory, but new theorists signify level of institutionalization as macro (Cooney, 2007) (between institutions). Process is the source for institutionalization according to old theory on besides, interaction of organizations is the center for new theory.

Idiosyncratic organizational character gained by rigid culture and structure (difference is seen only in-between organizations) in old theory. But for new institutionalization, not strongly tied organizations containing formalized stable elements and minimum variation between organizations (generalized culture and structure etc.) is supported by new institutionalization. In old theory "norms, values and attitudes", where all are seen permanent and complied by the actors, forms the institutional knowledge. Conversely, for new theory, "scripts, rules and classifications", which are considered as realities that actors must pay attention most, are seen important components of institutionalization (Powell and DiMaggio, 1991).

According to the study (Powell and DiMaggio, 1991), common points of an organization, processing institutionalization are;

- Being independent of "rational-actor models", but dependent mainly on state.
- Constraining the availability of finding the alternatives that is for the benefit of the organization.
- Being in a relationship with its environment.
- Tendency to reveal the discrepancy between the organizational point of view and the real conjuncture.
- Letting culture to have an influence on organizational structure phenomena.

2.4.3 Process of Institutionalization

Institutionalization was occurring as a result of the "coordinated and controlled" activities when work is needed to be done in "complex networks of technical relations and boundary-spanning exchanges". But today, firms tend to rise in an institutionalized environment with ready packages of applied "practices and procedure" for certain production systems without considering the effectiveness "demands of their work activities" of these activities in order to gain "legitimacy" and maintain existence (Meyer and Rowan, 1977).

Institutionalization starts to shape up in between small scaled groups or intra-organizations (Zucker, 1987). So, it can be said that process is mainly tried to be applied in entrepreneur managed family businesses to build up a system which will ensure sustainability of firm for future generations' era. Institutionalization process is a must to transform "family ruled and managed" system to a "professionally managed" but family ruled system (Tsui-Auch, 2004). Important to mention that, during process, it is recommended to secure family's self-manageability function, novelty, risk compensability, foresighted vision and challenging capacity (Mason, 2006). Process requires successor family members to get ready, to rely on and communicate easily with each other, become good educated, and gain knowledge to work hard to acquire a position in the firm (Morris et al., 1997).

In this thesis institutionalization will be handled in three stages; childhood, adolescence and maturity, because it will be easier for one to visualize process as a human's life cycle which is given in Figure 2.4.

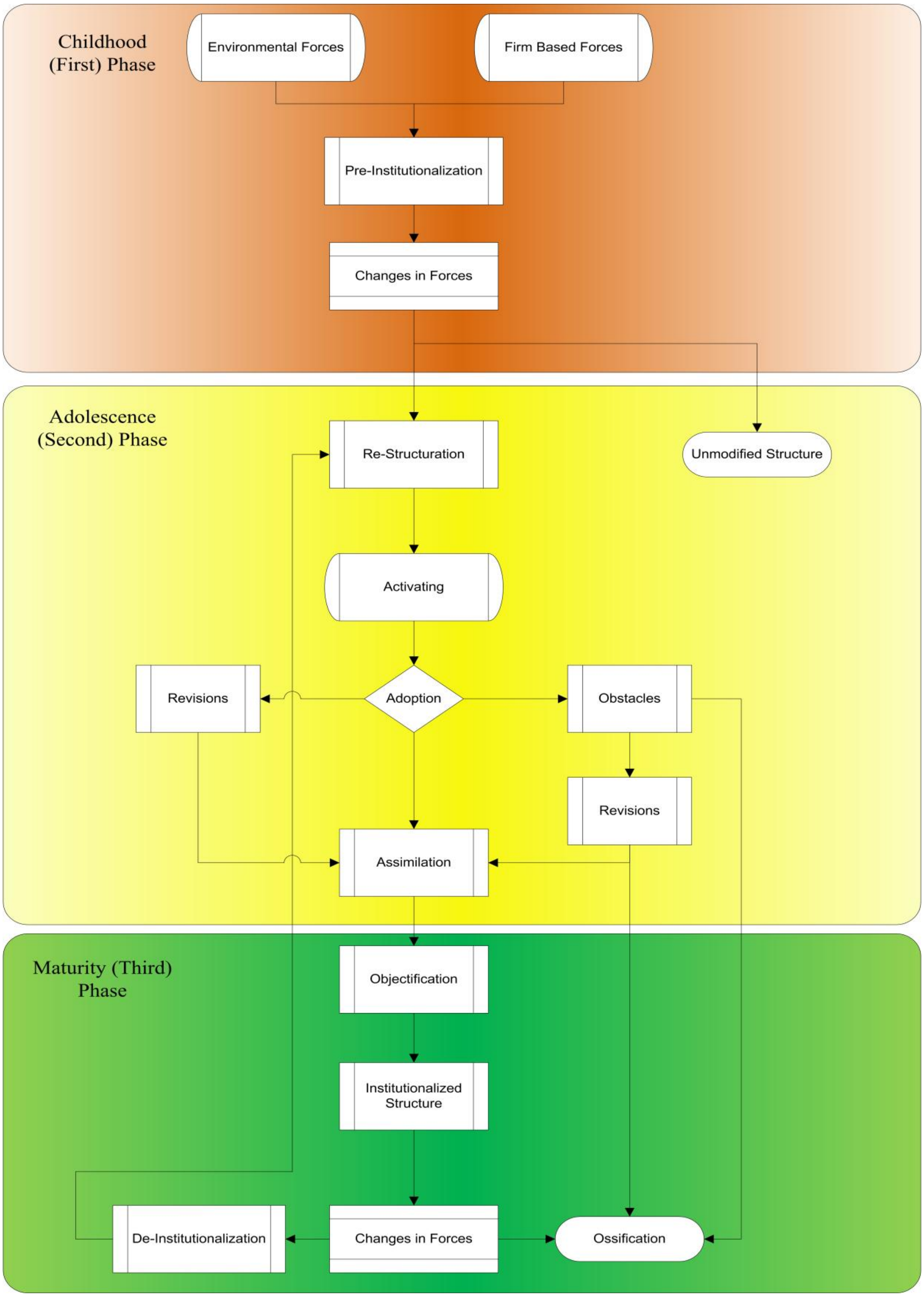

Figure 2.4 Institutionalization process cycle

2.4.3.1 Childhood (First) Phase of Institutionalization

First phase is named as childhood just because institutionalization process mainly depends on technical operations (Tolbert and Zucker, 1994) of the business like a baby struggling to stay alive by just fulfilling vital (but minimum) requirements. Technical requirements are also vital for a firm to operate efficiently and they are at minimum level since they do not contain an enlarged vision of business. If an organization is not supported well enough with technical and institutional requirements, it is obliged to become vulnerable and perishable (Scott, 2005). There exist two kinds of forces that encourage institutionalization; firm based forces and environmental forces. Therefore, firm based forces help institutional principles and arrangements to emerge (Lawrence et al., 2001), which are primitive version of fundamental form.

Firm based forces are mainly composed of technical requirements, whereas environmental forces take place outside the organizational operations (Barley and Tolbert, 1997). In encoding institutional principles (Barley and Tolbert, 1997), environmental forces are considered in giving response (Tsui-Auch, 2004), for constructing bases of formal structure. Organizational environment is defined as unstable, challenging and complex (Zucker, 1987; Tushman and O'Reilly III, 1996; Engwall, 2003; Scott, 2005; Mason, 2006).

Environmental forces are composed of rule developing governing agencies/constituents (Meyer and Rowan, 1977; Barley and Tolbert, 1997). One of them is public point of view, (Meyer and Rowan, 1977) including cultural pressures (Tolbert and Zucker, 1994), values and beliefs (Greenwood and Hinings, 1993), practices and norms (Barley and Tolbert, 1997). Compliance with society constitutes well known reputation, and makes available to reach public resources and become sustainable (Meyer and Rowan, 1977; Zucker, 1987; Queiroz et al., 2007). Courts are shown as another one with their descriptions of "negligence and prudence" (Meyer and Rowan, 1977). In addition to judgments, laws (Meyer and Rowan, 1977; Zucker, 1987) and regulations (Cooney, 2007), set up by state and professional organizations, shape institutionalization. Institutions of education are also takes place as an agency by providing information they are authorized to represent (Meyer and Rowan, 1977).

The main activity is connecting predominant cultural penetrations with "problems and actions" (Campbell, 2005). Like actors, adding their previous experiences together with current conditions and resources for generating rules to form organizational structure (Orlikowski, 2000). Outputs of this conglomeration are given in Table 2.2.

Table 2.2 Outputs of pre-institutionalization

Outputs	**Authors**
Policies	Meyer and Rowan, 1977 Lawrence et al., 2001 Engwall, 2003 Davila et al., 2008
Positions (distribution of authority)	Meyer and Rowan, 1977 Armour and Teece, 1978 Zucker, 1987 Tushman and O'Reilly III, 1996 Cheng et al., 2003 Engwall, 2003
Programs	Meyer and Rowan, 1977 Chrisman et al. (2005)
Procedures	Meyer and Rowan, 1977 Zucker, 1987 Lawrence et al., 2001

Structures, ones both limit and allow also manage resource flows (Cooney, 2007), built for implementing these outputs are similar to those mentioned in business growth are presented in Table 2.3.

Table 2.3 Structures built upon pre-institutionalization

Structure	**Author(s)**
internal control system	Armour and Teece, 1978
planning system	Armour and Teece, 1978
communication system	Armour and Teece, 1978 Miller and Le Breton-Miller, 2006 Engwall, 2003
cross functional structures	Armour and Teece, 1978 Engwall, 2003
conservative financial management	Tushman and O'Reilly III, 1996
project management systems; project milestones reports comparing actual progress to plan budget for development projects project selection processes product portfolio roadmap product concept testing process	Davila et al., 2008

Like preliminary design stage in construction projects, pre-institutionalization formation will require revisions and phase is quickly influenced by the changes of both firm based and environmental forces. As the name implies, childhood phase is much more vulnerable than any other phases unless otherwise expected during other phases a probability of external big impact.

Changes are likely to happen by new innovations in technology (Dallavalle, 1990; Tushman and O’Reilly III, 1996; Barley and Tolbert, 1997; Orlikowski, 2000; Lawrence et al., 2001; Leaptrott, 2005), differentiating generalized belief and values especially when new employees arrive with their new culture, expectation, behaviors, education (Zucker, 1987; Dallavalle, 1990; Barley and Tolbert, 1997; Leaptrott, 2005), loss in efficiencies (Tushman and O'Reilly III, 1996), political developments (Leaptrott, 2005), depletion seen in financial records (Barley and Tolbert, 1997) or economic shifts in market (Dallavalle, 1990), decline in risk compensation due to more unstable environment (Dallavalle, 1990; Mason, 2006), increase in number of wrong predictions about future (Mason, 2006). Events leading an institutional change are; blur boundaries between firm and market making other options to enter and fortify different existing structure possibilities (Scott, 2005), unclear structure, systems and rules (Queiroz et al., 2007), wrong implementations, resulting in rule and resource discrepancy, of systems taken from other organizations (Queiroz et al., 2007). When all these challenges are discussed in detail, change is inevitable (Dallavalle, 1990). An approach generated to decode these issues is shown as isomorphism according to new institutionalists.

2.4.3.2 Adolescence (Second) Phase of Institutionalization

Adolescence/second phase of institutionalization is chaotic era of institutionalization process. Although this phase can be perceived as a transient phase, this phase is continuous. Isomorphism is defined as the main influencing act of this phase. Also, signs of isomorphism verify process of institutionalization (Scott, 2005), which is this time not only a scheme of structures or rules but an attempt to become fully institutionalized. Under uncertain conditions of environment, when there occurs a need for producing solutions as soon as possible and various data is the way to get through this challenge to end up with rational conclusions, an institutional structure becomes a must (Luo and Chung, 2005). But under conditions of state secured markets, uncertainty in the environment is decreased and isomorphic processes are not needed to be implemented (Alpay et al., 2008).

Isomorphism is defined as a restricting process in which, organizations becoming similar to other organizations, by bringing in and following configurations to gain environmental validity (Meyer and Rowan, 1977; Tsui-Auch, 2004; Ansell, 2006; Barkanov, 2006), in identical environmental requirements (DiMaggio and Powell, 1983). Isomorphism is seen needed for resources to entail a powerful competitiveness and dominance (Ansell, 2006) where there is an uncertainty dominated environment (DiMaggio and Powell, 1983), increasing risk (Mason, 2006) with increasing firm size (Alpay et al., 2008). Although they can weaken influence of each other during implementation (Scott, 2005), there exist three types of isomorphism; coercive, mimetic and normative (DiMaggio and Powell, 1983). Scott in 1995, has also determined three isomorphic behavior, which are cognitive, normative and regulative (Leaptrott, 2005), in this thesis DiMaggio and Powell (1983) approach will be handled. In Table 2.4, events and agents influencing organizations for isomorphism, and finally, necessary items determined and processes applied for each isomorphism are all shown.

Fruits of isomorphic change are; transactions are actualized smoothly in between firms; with increased credibility professionals intends more to take place in the organization; organization is recognized as “legitimate and reputable”; meeting requirements of all types of contracts and privileges in managerial levels; decision making process accelerates with creating an environment in the organization where employees have similar point of views (DiMaggio and Powell, 1983); evading costs of creating a new structure (Tolbert and Zucker, 1994); having chance to distinguish the best structure fit from existing organizations (Tolbert and Zucker, 1994); stability of organization is ensured with homogeneity and coherence inside organization (DiMaggio and Powell, 1983).

On the other hand, there are some pitfalls of isomorphism like; applying structures that are not suitable for organization (Tolbert and Zucker, 1994), impossible a firm to copy structures one to one so that efficiency of copied organization cannot be obtained (DiMaggio and Powell, 1983; Zucker, 1987); instead of financial investments, political investments gains importance (DiMaggio and Powell, 1983); danger of constraining operations inside organizations because of non-operational environmental pressures (Zucker, 1987).

Table 2.4 Isomorphic processes

<table>
<tr><th rowspan="2">Isomorphic Process</th><th colspan="2">Influencing</th><th rowspan="2">Items</th><th rowspan="2">Process(es)</th><th rowspan="2">Authors</th></tr>
<tr><th>Event</th><th>Agent</th></tr>
<tr><td>Coercive</td><td>Political pressures
Leigitimacy problem</td><td>State
Courts
Multinational Corporations
Foreign direct investments</td><td>Procedures
Programs</td><td>Regulation
Technology transfer
Capital Inflow
Strategies
Employee training</td><td rowspan="3">DiMaggio and Powell, 1983
Zucker, 1987
Greenwood and Hinings, 1993
Tushman and O’Reilly III, 1996
Johannisson and Huse, 2000
Lawrence et al., 2001
Engwall, 2003
Tsui-Auch, 2004
Campbell, 2005
Leaptrott, 2005
Luo and Chung, 2005
Scott, 2005
Ansell, 2006
Cooney, 2007
Powell, 2007
Queiroz et al., 2007
Davila et al., 2008</td></tr>
<tr><td>Mimetic</td><td>Highly uncertain environment
New partnerships
New managers
Competitors
Enhancing credibility</td><td>Organizations in the same field
Banks</td><td>Successful forms (previously applied)</td><td>Copying</td></tr>
<tr><td>Normative</td><td>Spread of certain modes of practices
Gain legitimacy
Cultural expectations, values</td><td>Professionals
Consultants
Standard Setters
Business Media</td><td>Systematic bodies of knowledge</td><td>Professionalization
Formal Education
Development of professional networks
Employment from same universities</td></tr>
</table>

Re-structuration process is put in action after assembling and evaluating the alternatives that isomorphism introduce. Defining problems brought by changes developed and generating solutions (Dallavalle, 1990; Tolbert and Zucker, 1994), arrangement of resources and facilities (Cooney, 2007), setting regulations (Cooney, 2007), implementing replicated ideas (Barley and Tolbert, 1997; Cooney, 2007), increasing importance of an actor's strategic choices (Diermeier and Krehbiel, 2003) and detecting effective repeated organizational behaviors shown for reoccurring problems, which is also known as "habitualization" (Tolbert and Zucker, 1994; Leaptrott, 2005) are all done for building up strong basis for institutionalization. If changes are not taken into account to res-structure organization, then with their unmodified structures firms dreadfully decreases their duration of survival.

It is time for management team, and leading actors to bring about outcomes of re-structuration process and enforce implementation of these, which is called activation process. Enforcement is applied by the usage of two kinds of power; one is "episodic power" and the other one is "systematic forms of power". Episodic power is discontinuous because of incidentally acting actors, whereas, systematic forms of power is regular with incremental inducements of practices. In systematic forms of power, by practices, are treated as a group activity and processes are legitimated. Practices are applied within technological systems and, insurance and tax regimes (Lawrence et al., 2001). Besides "episodic power", "systematic forms of power" creates highly durable organizations (Barley and Tolbert, 1997).

Diffusion of new technology, systems and regulations is observed (Armour and Teece, 1978; Campbell, 2005; Scott, 2005), quickly for the organizations act diffusion target as an object which is not negotiable (Lawrence et al., 2001). Diffusion is followed by adoption process (Scott, 2005), which is influenced positively by the family platform that everyone has equal rights (Alpay et al., 2008). Adoption time and stability according to the power used to activate new structure and processes are given in Table 2.5. As represented by the table, best way to adopt institutionalization is applying force with domination in order to achieve institutionalization in a very short time with high stability. But as in literature, organizations are idiosyncratic formations that each will require different type of adoption.

Table 2.5 Institutionalization adoption (Lawrence et al., 2001)

Institutionalization Adoption				
Based on	**Type of Power**	**Target seen as**	**Duration**	**Stability**
Influence	Episodic	Subject	Long	Low
Force	Episodic	Object	Very Short	Low
Discipline	Systemic	Subject	Long	High
Domination	Systemic	Object	Short	High
Influence with Discipline		Subject	Average	High
Force with Domination		Object	Very Short	High

Adoption process doesn’t have to result with adaptation instead, a need to revise newly adopted processes or obstacles to be confronted may emerge. After observing operation of structure and systems brought in, like in every construction design project, gaps and defects are detected and modified due to existing conditions (Barley and Tolbert, 1997; Campbell, 2005). By the way obstacles like constraints of institution, technology, culture, regulations, employee customs, values and family heritage will end up with a institutionally ossified formation according to their influence degree (Dallavalle, 1990; Barley and Tolbert, 1997). If influence is not as powerful as turning institutionalization process to a dead node, revisions may produce clever solutions to overcome these issues.

Revisions are successful if adaption shows itself off (Scott, 2005), which increases performance quality of the firm (Alpay et al., 2008). Employees then, by conceding, start to assimilate structure and procedures. Majority requirements are easily assimilated, if capacities of employees are compatible and wide enough to accept (Meadows, 1967).

2.4.3.3 Maturity (Third) Phase of Institutionalization

Maturity represents third phase when all attempts done to get institutionalized starts to make sense. Phase begins with the stage, when regulations and structures are generalized and become widely spread is named as objectification (Leaptrott, 2005). Objectification takes place with diffusion, and adoption as a result of isomorphism. Like diffusion process, actors (mainly positioned in management levels) with shareholders are the ones who play key roles an institution to be carried to this stage. With increasing objectification rate, endorsement of actions, stability of these actions and rigidity of these actions against any changes is also increases, meaning an increase in the institutionalization level of the organization. By this process, actions are dispersed without considering from what they are generated. Still organization is not accepted as institutionalized instead, organization is accepted to become semi-institutionalized. In this stage organization includes; "team-based production, quality circles, gain-sharing compensation plans, internal consultants, sensitivity training programs for management, managers of work/family policy and employee assistance programs" (Tolbert and Zucker, 1994).

Objectification carries organization to an ultimate and legitimated (Lawrence et al., 2001; Cooney, 2007) form of institutionalization which is embodied. A legitimate structure fulfills demands of components, meet obligations with the way they are required, supports organization in existing environmental conditions and provides even if it is too small profit at highly unstable environments (Queiroz et al., 2007). Again changes in forces takes place within time but this time embodied structure either attempt to deinstitutionalize and delegitimate or stay as objectified. Deinstitutionalization and delegitimation is refreshing existing functionless structure, strategy, culture and systems by dissolving existing ones with requirements of big environmental changes (Zucker, 1987; Powell and DiMaggio, 1991; Tolbert and Zucker, 1994; Tushman and O'Reilly III, 1996;

Barley and Tolbert, 1997; Lawrence et al., 2001; Tsui-Auch, 2004; Campbell, 2005; Scott, 2005; Mason, 2006).

Besides, organizations can become ossified formations by having stable structure, behaviors and regulations (Zucker, 1987; Barley and Tolbert, 1997; Lawrence et al., 2001) which can also be named as objectification. Stability is favorable and enables success in stable sectors but the main fact is that, it becomes dangerous when sector starts to change. So stability can be defined as the time between legitimation and deinstitutionalization (Lawrence et al., 2001), rationale behind this statement is that, organizations are compelled to change if they do not choose to become vanished.

Global adoption of developed structure and regulations of an organization which is also sustained throughout generations of a business is named as sedimentation (Tolbert and Zucker, 1994; Leaptrott, 2005). Managerial procedures, standards and other applications can be given as an example to this process, as long as they are not affected by counter groups in organization, sustained with culture, encouraged by supportive groups and provide expected results (Tolbert and Zucker, 1994).

2.4.4 Institutionalization Degree

Organizations are structured according to various conditions, events, possibilities and uncertainties (Geraldi, 2008). As a result, degree of a firm's institutionalization level can best be measured by the rate employee adoption to structure and systems (Leaptrott, 2005). Institutionalization is increased with; building bridge between adoption phase and actualized expectations which causes an aim in employees to sustain the developed structure, decreasing entropic forces by increasing number of professionals in the organization and making high amount of expenses to adopt structures (Tolbert and Zucker, 1994). When construction companies and their multi-project based transaction is taken into account having wide scopes, rigidly structured firm becomes irrational due to unstable environment and complex project conditions, therefore it is expected to have low levels of institutionalization in organizations (Tolbert and Zucker, 1994). Geraldi (2008) developed a map for multi-project firms given in Figure 2.5.

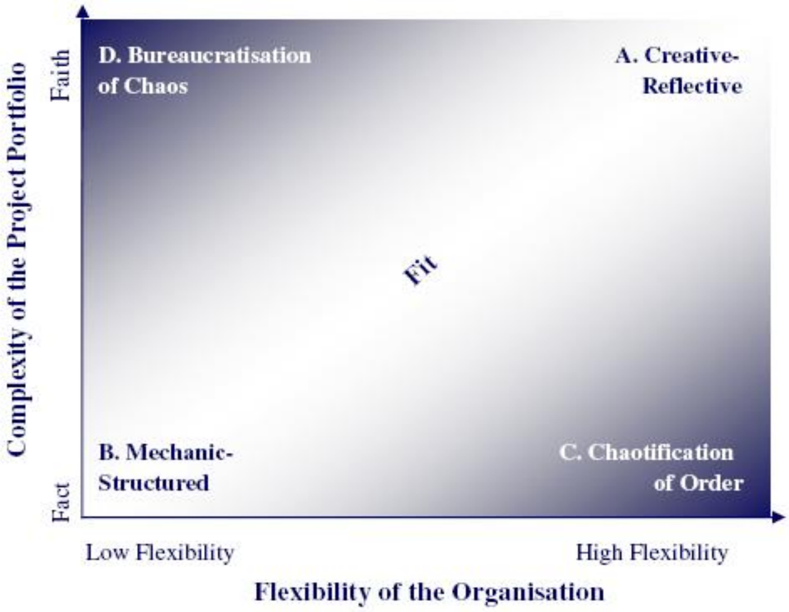

Figure 2.5 Organizational design vs. complexity (Geraldi, 2008)

According to this figure, construction companies fall into the creative-reflective region. The reason for that is, construction sector is composed of varied number of projects, and every project is unique and challenging, therefore complexity of the project portfolio reaching faith intensity.

At this level, project and costs are fuzzy, and in order to proceed in right path mainly depends on consciousness level with discussion and settlement of agreements. Revisions and recurrence rates are high, plus, it is a troublesome work to evaluate and supervise operations and products of too many tasks. So it is advised to generate an organization which is flexible enough to handle projects with a high level of loyalty and motivation. High level and motivation is necessary in these complex projects because even the facts, although resources to reach out for them is so limited, prove impossibility of performing the project, employers will believe in and strive hard to accomplish the project (Geraldi, 2008).

If a business is low flexible under these conditions, bureaucratization of chaos is observed. In highly bureaucratized organizations, it is expected structures, systems and regulations to indicate expedient project implementation procedures. Due to low amount of determined facts, this structure becomes ineffective and as a result work is performed poorly with increased expenses. Again it can be seen that creative reflective is the best fit for businesses performing complex transactions (Geraldi, 2008) and institutionalization may not be the perfect solution for businesses.

2.4.5 Why not to Institutionalize

Institutionalization is mainly conceived as a system established in order to provide improvement in efficiency and respond to uncertainties, where all resulting in an increase in level of control (Davila et al., 2008; Geraldi, 2008). Rationality in an organization enables cooperation of organizational components and organizational freedom until high level of institutionalization shows up, because rationality do not work with dense institutionalization (bureaucracy) (Udy, 1959; Udy, 1962). When degree of institutionalization is not optimized for the organization, meaning it became dominant, by strengthening, building a rigid structure, attach blindly to regulations, dominating culture, increasing amount of rules, binding systems and structures tightly, rather than acting rationally (Tushman and O’Reilly III, 1996; Orlikowski, 2000; Queiroz et al., 2007).

As discussed earlier, change is inevitable and as long as institutionalization transforms organization from flexible to rigid, change turns into a hard, limited, restricted, expensive and long process (Zucker, 1987; Tushman and O’Reilly III, 1996; Queiroz et al., 2007; Davila et al., 2008). So, firm structures and systems won't be able to respond, resized, have redefined relationships and rearrange interconnections (Tushman and O'Reilly III, 1996; Queiroz et al., 2007).

Cultural dominance is beneficial when its effect on unofficial ordering and controlling of employees is considered and it is advanced by age and achievements. Age brings stereotyped prospects of responses given and achievements produce ossified and unofficial rules, beliefs, relationships, moral, legendary stories and leaders. If all is summed up, influence of dominated culture is pretentious behavior of organization (Tushman and O'Reilly III, 1996).

Other bureaucratized organization's outcomes are; incredulous components, not well trained skeptical employees, having difficulties in attaining resources, deinstitutionalization is not observed, hard adoption and adaptation processes, personalized role allocations and awards, inefficiency, contradictions in promotions, success problems, creative managers unable to become up to date and manage risk, decreased employee coherence, low performance of employees, limited inter and intra organizational work, decreased coordination, no alternatives are discussed, managerial objectives may not match with small department's required objectives (objectives are determined independent of operations base) (Armour and Teece, 1978; Orlikowski, 2000; Cheng et al., 2003; Engwall; 2003; Queiroz et al., 2007; Davila et al., 2008; Geraldi, 2008).

On the contrary, there is no such ability to act fully rational, so that institutions can be reformed by environmental and firm based forces at all time (Barley and Tolbert, 1997). In fact, when individualistic perspective is considered, a compatible person as well searches for rules and systems to depend on (Dallavalle, 1990). Also it must be reminded that institutionalization is a path with obstacles to proceed, it is firms' choice to continue and reform according to the obstacles or stop and leave themselves to decay.

2.4.6 Why to Institutionalize

The most accepted reasons for a firm to institutionalize are to gain legitimacy both in the sector and society (Beckert, 1999; Tsui-Auch, 2004; Scott, 2005; Powell, 2007; Queiroz et al., 2007; Alpay et al., 2008; Davila et al., 2008) and to deal with uncertainty (DiMaggio and Powell, 1983; Dallavalle, 1990; Luo and Chung, 2005; Davila et al., 2008; Geraldi, 2008). The others can be, easily reaching for the cheap resources and (Alpay et al., 2008), being sustainable (Zucker, 1987; Johannisson and Huse, 2000; Alpay et al., 2008), ensuring stability (Alpay et al., 2008), having support of bigger organizations (Beckert, 1999), enabling resources required for new organizational structures (Cooney, 2007), giving responses (Dallavalle, 1990), to become more competitive (Dallavalle, 1990; Morris et al., 1997; Luo and Chung, 2005), consistent business mission (Dallavalle, 1990; Davila et al., 2008), conformity in structure, system, people, culture, strategy and investment amounts between organizations in the sector (Dallavalle, 1990; Greenwood and Hinings, 1993; Tolbert and Zucker, 1994; Zak and Knack, 2001), controlling (Morris et al., 1997; Davila et al., 2008), encoding previous experiences (Tolbert and Zucker, 1994; Engwall, 2003; Davila et al., 2008), providing coordination (Davis and Marquis, 2005; Davila et al., 2008; Geraldi, 2008), executing projects according to project management features (budget, quality, plan, etc.) (Morris et al., 1997; Engwall, 2003; Davila et al., 2008), endure coherence in organization (Engwall, 2003), allocation of responsibility and authority by decentralization (Geraldi, 2008), operate efficiently (Udy, 1959; Oliver, 1997; Geraldi, 2008), paving the way for innovation (Zucker, 1987; Geraldi, 2008), attracting professionals to the firm (Johannisson and Huse, 2000), professionalization of management (Tsui-Auch, 2004).

Also relationship between firm size and profitability cannot be observed if there does not exist any organizational structure in the firm (Armour and Teece, 1978). In addition to that, professionals became able to make strategic management only if influences of environmental instabilities are reduced by developed institutional structure (Beckert, 1999), although it is said that professionals are constrained in other areas (Cooney, 2007).

Up to this point one must review disadvantages of family businesses and reasons for institutionalization and be able to see the important answers that institutionalization give, which family business is in search, like professionalizing, control, innovation, sustainability, legitimacy, technology, coordination, etc.

3. RESEARCH METHODOLOGY AND OUTCOMES

Family business and institutionalization concept studied in 2nd Chapter will be discussed with many aspects in order to determine how institutionalization will fit into organizational structure of contractor firms in construction market. Studies done in organizational theory is mainly included industrial markets based on regular production cycles. Besides, construction business is built upon projects, which are “temporary endeavors undertaken to create a unique product, service or result” (PMBoK, 2009), making business more competitive and unstable. For each project a new strategy is needed to be generated, considering previous experiences. Therefore, a research to clarify institutionalization process developed on family business must be conducted considering all possible approaches with a flexible questionnaire and open-ended questions.

3.1 Development of Questionnaire and Interviews

Based on literature survey and statistics reviewed, institutionalization of contractor firms in Turkey is a subject surrendered by three dominant point of views; family involvement in business, institutionalization, and execution of construction projects. Therefore it is decided not to be limited with a questionnaire, but to include interview questions and make respondents to feel free to extend their answers to items in questionnaire in order to enhance outcomes and find out other possible point of views generated by respondents other than suggestions of literature.

Questionnaire is divided into three parts; first part is developed to identify factors leading to institutionalization, second part is developed to identify institutionalization process in firms and final part is developed to assert outcomes of institutionalization (Figure 3.1).

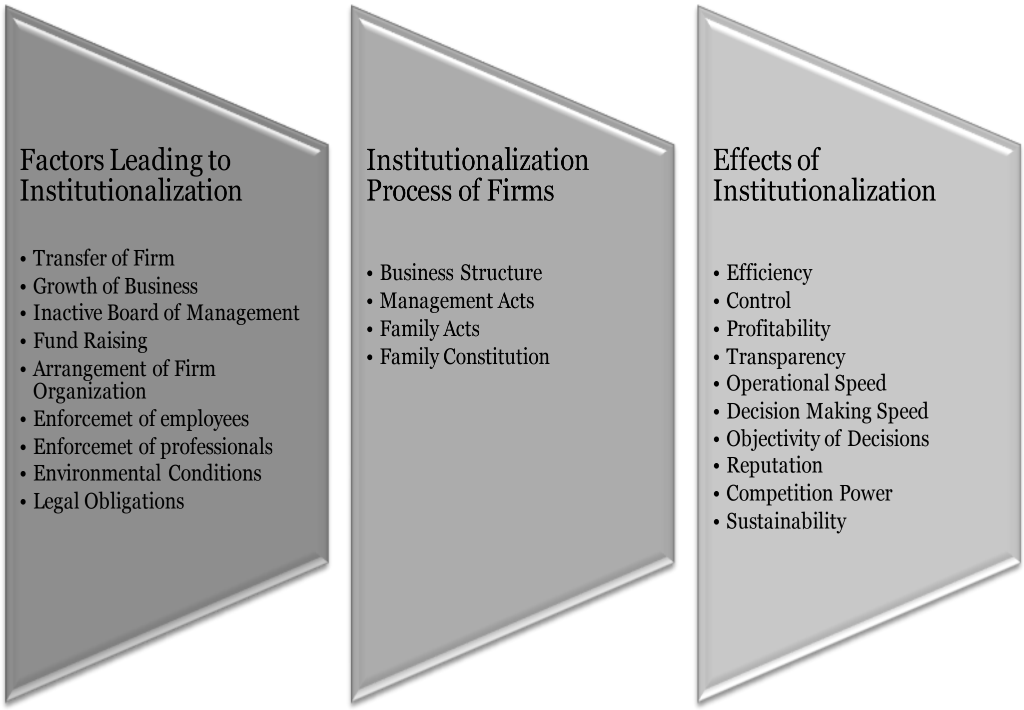

Figure 3.1 Progress of questionnaire structure

Interviews lasted between 45 minutes to 2 hours and conducted face to face. In order to obtain sincere answers, interviews are not recorded, only notes of devastating statements are taken during dialogues.

3.1.1 Factors Leading to Institutionalization

First part of the questionnaire is composed of sections named as; transfer of firm, growth of business, inactive board, fund raising, organizational features, enforcement of employees to get institutionalized, enforcement of professionals to get institutionalized, environmental conditions and legal obligations. Respondents answered questionnaire according to influence level of these items forcing firms to institutionalize from “very aversive” to “very influential”.

Expectations from 1st part of questionnaire: Construction firms are forced by family, employees, growing structure which is in need of an organizational structure, requirement of funding and, ensuring environmental coherence to get institutionalize.

3.1.2 Institutionalization Process of Firms

Second part of questionnaire includes actions done to get institutionalized in business structure, managerial acts, family acts and, family constitution areas. This part of questionnaire is prepared according to measure performance of applied systems suggested by literature. Answers changed between “fully applied” to “not applied”. With this part of questionnaire, it is expected to observe levels of institutionalization and cognition of institutionalization.

Expectations from 2nd part of questionnaire: Institutionalization process takes place in organization by developing a system and structure including management, operations but not fully on family.

3.1.3 Effects of Institutionalization

Final part of questionnaire is generated to observe expectations, like efficiency, control, profitability, transparency, etc., of respondents from institutionalization for understanding why or why not firms appeal to institutionalization.

Expectations from 3rd part of questionnaire: Institutionalization increases; efficiency, control, transparency, objectivity of decisions, reputation and, competition power, whereas influences firms’ profitability, operational speed, decision making speed and, sustainability according to the structure flexibility of the firm.

3.2 A General View of Construction Firms in Turkey

Estimates of professionals meet on a common ground about total number of construction firms in Turkey which varies between 200,000 to 300,000. This part of study, covering 183 registered firms to either Turkish Contractors Association (TMB) or Turkish Construction Industrialists Employer Union (INTES) or both, is aimed to develop an exoteric view to the construction sector in Turkey.

All registered firms are tried to be included to the investigation, although some are excluded according to unavailable data. Research is done by referring to the information given on sites of each firm and news made upon these firms whose information is again gathered from internet.

Results indicate that, construction firms are generally established around 1970's, leading to an average operational years as 36. Oldest firm is found to be STFA Construction established by Sezai TÜRKEŞ and Fevzi AKKAYA in 1938 whereas, 2 firms, DOĞA Construction Tourism and Trading and İMAJ Construction Tourism, Food and Trading are youngest firms which are established in 2002. When average operational years are considered it is rational to find out that among 179 companies, whose data is available on firms' internet sites, 74% of firms are still governed and managed by 1st generation (Figure 3.2).

As the figure denotes, most of the construction firms are still under management and governance of 1st generation, when institutionalization process is considered as an ages lasting system, construction firms in Turkey might still be at childhood stage of institutionalization.

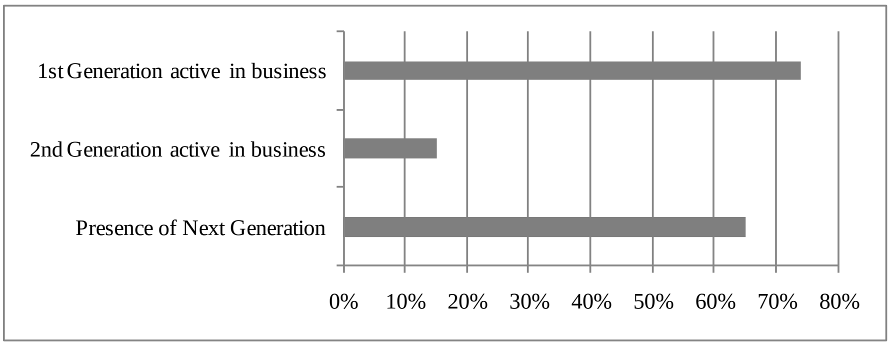

Figure 3.2 Percentage of active generations in construction firms

Family involvements in business show similarities with percentages obtained for worldwide and Turkish family firms for board of chair and general manager positions (Figure 3.3). Conversely, percentage of family members positioned as a board member (70.8%) is higher than percentages given for worldwide and Turkish family firms.

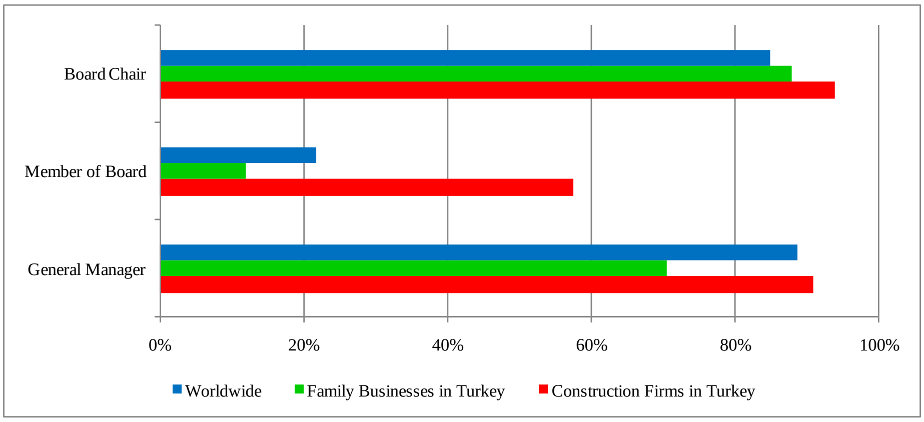

Figure 3.3 Family involvement percentages for construction businesses in Turkey

An additional search is made for this study on construction firms' financial dependency on construction activities. Results show that 80% of firms allocate risks by making investments to other fields showing their need for a perquisite in order to both finance and allocate risks emerging from construction activities. Whereas only 14% performs none but construction works and information about

6% of cannot be reached. In Figure 3.4, investment fields of construction firms are given.

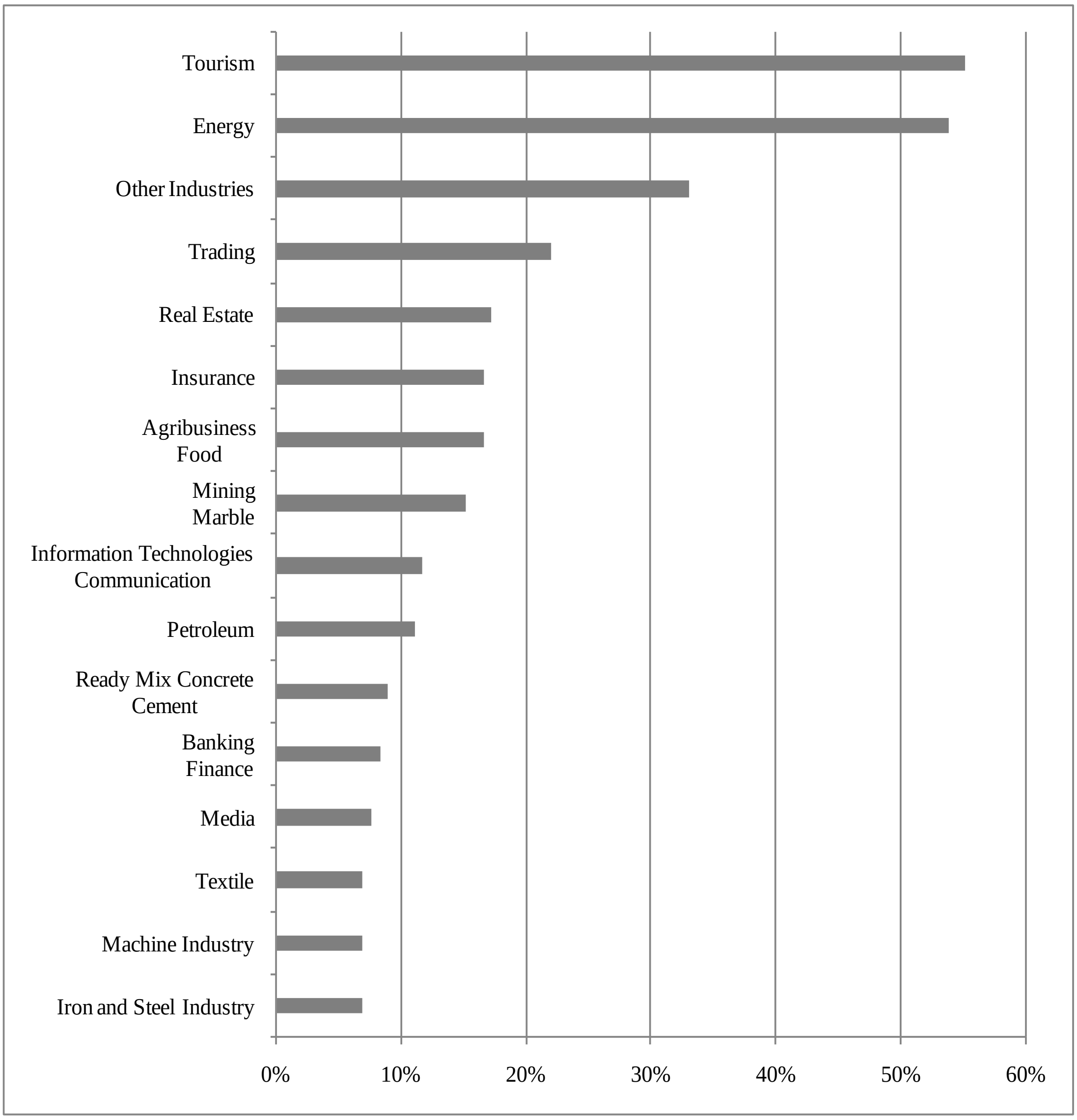

Figure 3.4 Investment fields of construction firms

Tourism (55.2%), energy (53.8%) and trading (22.1%) form the main investment areas of construction firms. The reason for tourism and energy to take place at top of the list is the aim of construction firms is to operate these structures after constructing them. And trading is most popular 3rd investment type, the reason for that may lay in easing procurement activities of construction resources and having a constant income from this transaction.

Also, interest of construction firms to existing standards The International Standard for Quality Management (ISO 9001), Environmental Management Standard (ISO 14001) and Occupational Health and Safety Management Systems (OHSAS 18001) is searched to examine approach of 117 construction firms, whose information is achievable on internet, to standards. Results determine that all 117 firms holds ISO 9001, whereas 73% have ISO 14001 and 69% have OHSAS 18001. And in overall, more than half of the construction companies own certification of at least one of standards.

In the light of these outcomes and statistics, following section represents traits of participants and firms that they work under the umbrella of, to perceive a better understanding lying under outcomes of this research.

3.3 Profiles of Companies Interviewed and Interviewers

Managers of 21 companies are interviewed with an aim to reach for the highest positioned (chairman of board) managers and mostly to family members, who either governs or holds shares of the firm (Table 3.1). Although it seems like a small number when compared to surveys done in literature, which are mainly based on surveys conducted on web or mails, this research is based on face to face interviews in order to increase chance of obtaining new outcomes differing surveys done in literature. Besides, except one respondent, all respondents are a graduate of a university.

Table 3.1 Characteristics of respondents

Characteristics	**Number**
Chairman of the board	2
Vice chairman of the board	1
Board Member	3
General Manager	8
Assistant General Manager	3
Project Manager	4
Family Member	6
1^{st} Generation	3
2^{nd} Generation	3
Non-family member	15

Surveyed firms averaged 39 years old and established around 1970’s similar to researched overall construction firms in Turkey. Oldest one is founded in 1958 and youngest one is founded in 1986, so these firms are capable to share their experiences of institutionalization process. In addition to that, 90% of firms are still governed and managed by 1^{st} generation with 95% existence of next generation to take over business (Figure 3.5).

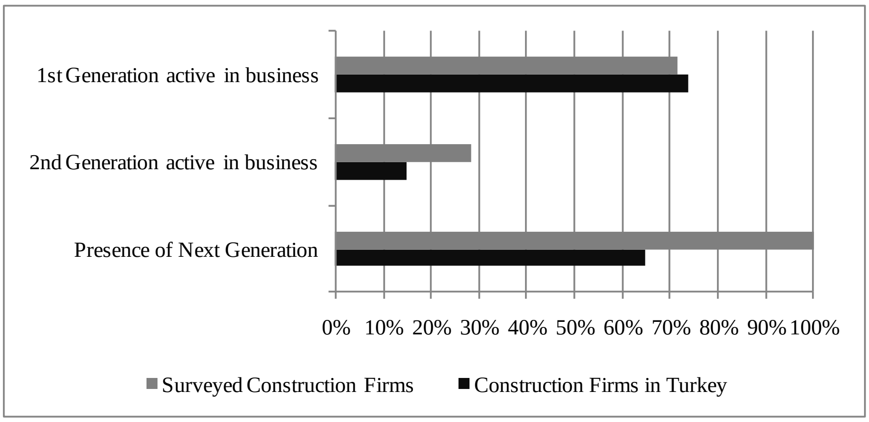

Figure 3.5 Percentage of generations in surveyed firms

As higher percentage of 2nd generation shows (28.5), interviewed construction firms are much older when construction firms in Turkey, only 15% of them are governed by 2nd generation, is considered. But again figure shows that, 1st generation dominates governance of construction firms (71.4%).

All interviewed firms own certificates of ISO 9001, ISO 14001 and OHSAS 18001.

Unlike statistics given before, family members of interviewed firms are only positioned at high managerial levels, like chairman of board (94.7%), of business (Figure 3.6). Unlike other positions, family members of interviewed firms occupy general manager position less when compared with worldwide and Turkey related statistics. Especially, while family members positioned at general manager status is 88.6% for construction firms in Turkey, this number falls to 14.2% for researched construction firms.

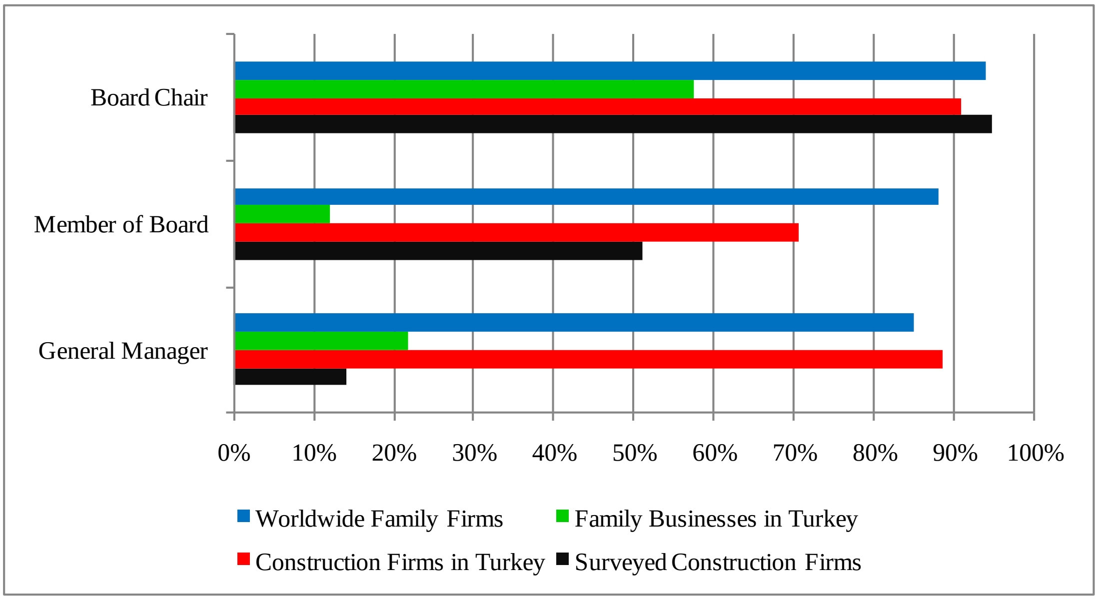

Figure 3.6 Family involvements in surveyed firms

Additionally, all surveyed firms make investments in other fields like tourism (68.4%), energy (68.4%) and trading (21.1%), which are compatible with percentages obtained for Turkey-wide construction firms (Figure 3.7).

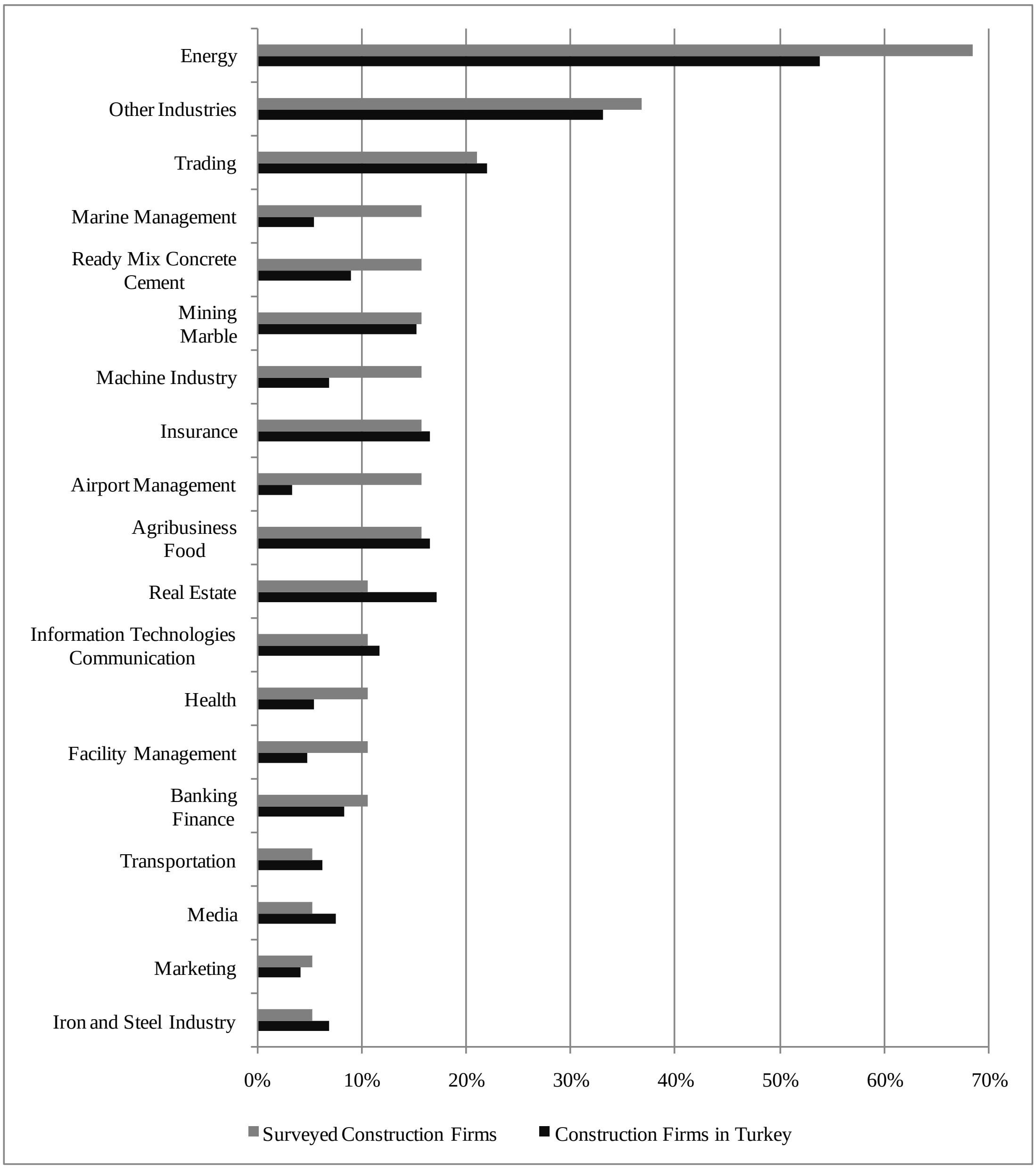

Figure 3.7 Investment fields of surveyed firms

3.4 Outcomes of Interviews

3.4.1 Outcomes of Factors Leading to Institutionalization

Outcomes of first part of questionnaire pointed out the diversification of institutionalization approach between literature studies and site. The way academicians defining factors leading to institutionalization is not fully comprehended by professionals (Figure 3.8).

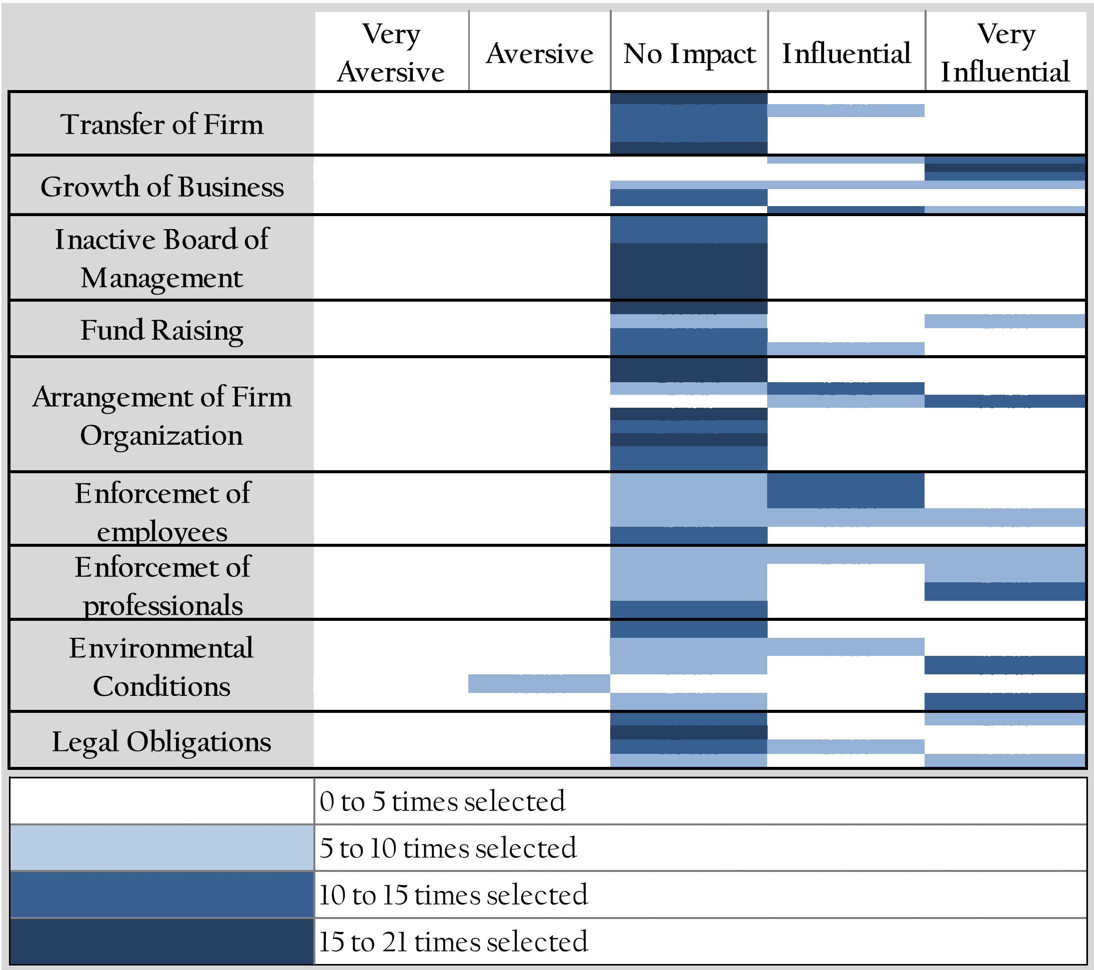

Figure 3.8 Outcomes of first part of questionnaire

3.4.1.1 Transfer of Firm

Transfer of firm is one of the main factors coexists as the firms succeed to stay alive. Unfortunately, this transfer may not be in favor of successor generations of family governing business because of successor generation’s insufficient readiness, existence, or will (Figure 3.9) but, like one of the professionals stated, either as a transfer to professional management, or liquidation. If none of the transfer happens, it is expected for family firms in Turkey to go bankrupt. This picture remains a little pessimistic when worldwide statistics are remembered. Unlike professional’s emphasis, worldwide respondents expect within five years to have an ownership changed; successor generation governed, liquidated, merged or at least publicly listed firms. One coherent point with expectations of world is merging of firms for another respondent. Another professional mentions that, construction firms around the world tend to merge and form joint ventures just because mainly renewal of infrastructure works left for many countries causing firms to compel and oblige to merge with bigger ones.

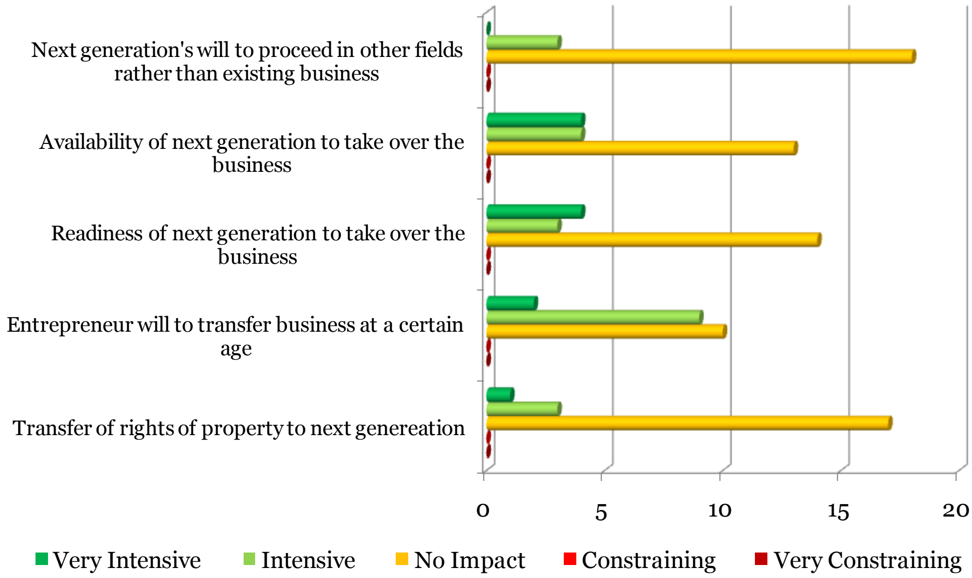

Figure 3.9 Transfer of firm

Besides, four of the respondents indicate that, transfer of business has not been taken into consideration by the shareholders yet. Instead, ambition of conserving constituted brand governs shareholders' thoughts and acts. Moreover, educational background of successor generation, which is mostly on social sciences, brings inadequate technical knowledge that a successor should have and causes them to become managers unwilling to take risks during investments and seen as not devoted enough to construction business as 1st generation. Although these pitfalls are seen by respondents, according to our survey results, they are not yet found to be important to institutionalize firm in order a transfer occurs.

3.4.1.2 Growth of Business

Results expose that, only growth of business is the main influencing factor that makes firm to get institutionalize. Especially factors with increase in turnover rate, increase in level of activity and, increase in employee number supports this sub-section (Figure 3.10).

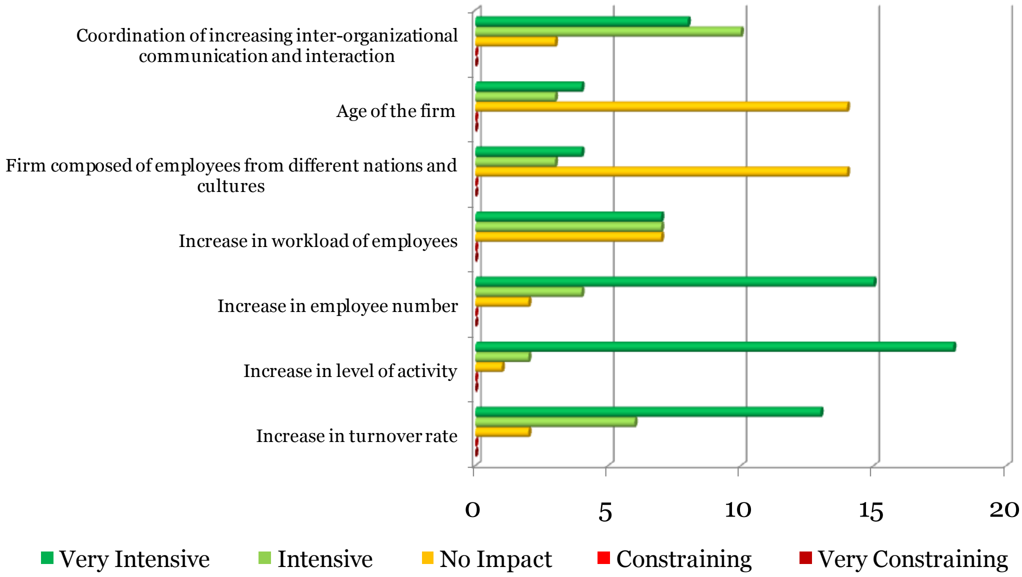

Figure 3.10 Growth of business

Institutionalization is seen as an unavoidable process when growth of business becomes prominent. Nearly all respondents emphasized that, increase in risk and decline in profits are due to increase in difficulties faced in control and management of; decisions, procurement, production and number and nationality of employees at site. Particularly, firms working internationally institutionalize for melting multi-cultured employee formation in one pot to increase efficiency. Solution is brought by allocating authority for speeding up; procurement, manufacturing and decision making process, forcing firm to build up a hierarchical organization. Other solution is configuring a reporting system for maintaining control once owner of the firm dealt individually. Sites of more than half of the firms, report procurements to project managers and project managers summarizes these costs to board of management.

On the other hand, two of the firms prefer not having more amount of work that existing organizational structure can manage and one firm chooses to work with subcontractors in order not to expand level of activities, whose chairman of board deals with controlling one by one.

Conversely age of firm is not seen as an influence on firm to get institutionalize because respondents sees this item as an indicator of time firm is sustained.

3.4.1.3 Inactive Board

Inactive board is also one of the items resulted as an impotent factor (Figure 3.11). 2 respondent mentioned existence of board members only on paper to fulfill legal requirements. As given in Figure 3.5, boards are formed of family members mostly who serve for business at all time. Although it is believed that increased number of board members increases company power and democracy during decision making process, small number of board members opt for having a more dynamic system where decisions are made quickly. Also three professionals feel confident to be working in a family firm, because of family's indestructible family ties.

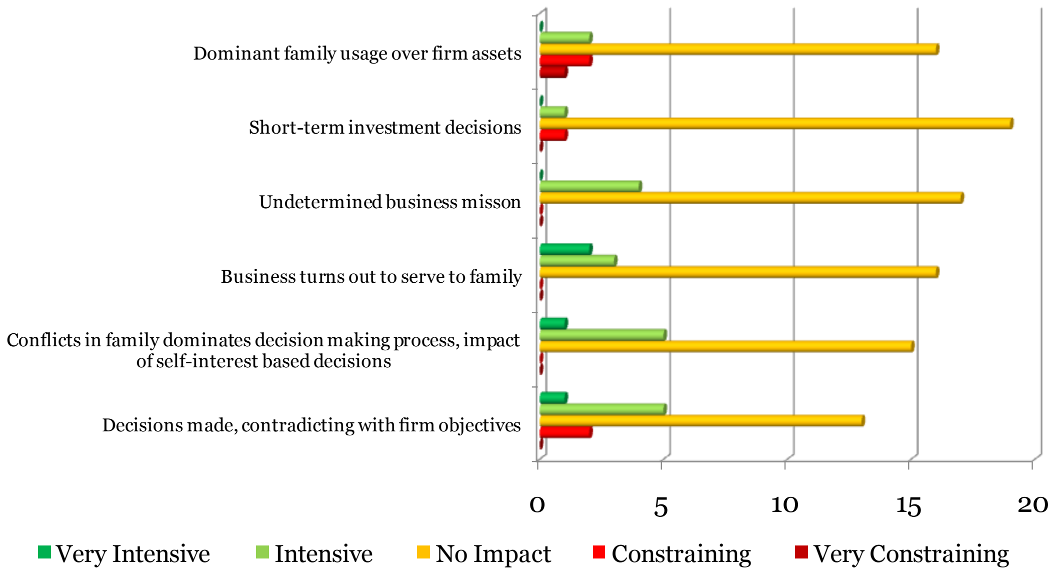

Figure 3.11 Inactive board

Same professionals believe that, family member employees deliver coherence in firm, where does not exist any strictly defined roles and systems making firm to be more flexible and depend on relationships based on trust.

3.4.1.4 Fund Raising

Institutionalization is not associated with fund raising as can be observed from Figure 3.12, showing outcomes of fund raising item. Fund raising tactics are not seen as a vital element if firm assets are enough to compensate construction investments. Development of business is not aimed for providing employment to family members according to four of the respondents, but for having a contribution to national economy emerged from responsibility cognition to the country. Two respondents states that, employment of as many people as a firm can, brings power to firm to have affect on politics and economy of that nation. Besides, three respondents think that family employment is important to satisfy high trust required by a construction firm in highly competitive sector. Nonetheless, after bad experiences, family members are only employed according to their abilities and capabilities for required positions. So, aim to provide employment to family members is marked as a constraining item by four of the respondents.

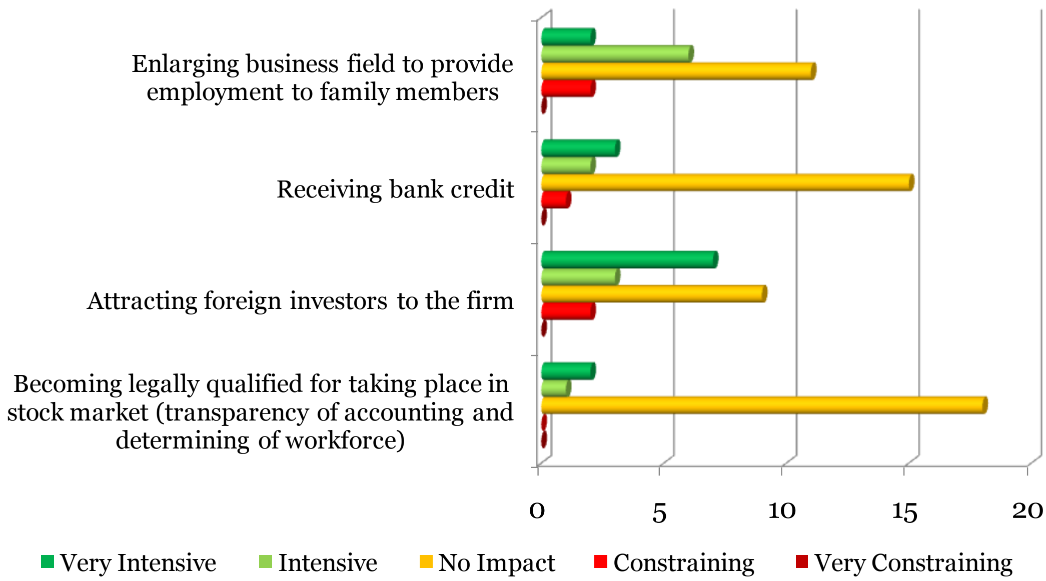

Figure 3.12 Fund raising

Instead of bank credits five of the respondents finance construction works either by firms own assets or by family capital or by investments made on other fields of activities. On the other hand, respondents remarks that, banks ask mostly for 1.5 to 3 times more than the requested credit amount of guarantee of assets that shareowners have. Only one firm mentioned advantage of firm documentation of firms on having bank credits.

Construction firms lean towards to become institutionalized for attracting foreign investors for fund raising. Six of the respondents treat institutionalization positively in order to sustain trust to foreign firms with having a democratic board and proper documentation, especially including finance, system. But three of the respondents indicate that, Turkish construction firms can comply with the procedures of international firms by having an objectified structure, to increase coherence with not repelling international firms' will to do business allowing international firms to use this loose structure to easily impose their demands. Also, international works are not found profitable enough to get involved in, and it is advised for construction firms to gain experience in various fields to benefit a joint venture formation.

3.4.1.5 Organizational Features

Except defining roles and encoding existing systems, this part of the questionnaire do not contains items satisfying firms to institutionalize (Figure 3.13). Roles are defined according to increased level of activities and systems are encoded for providing information to successor generations.

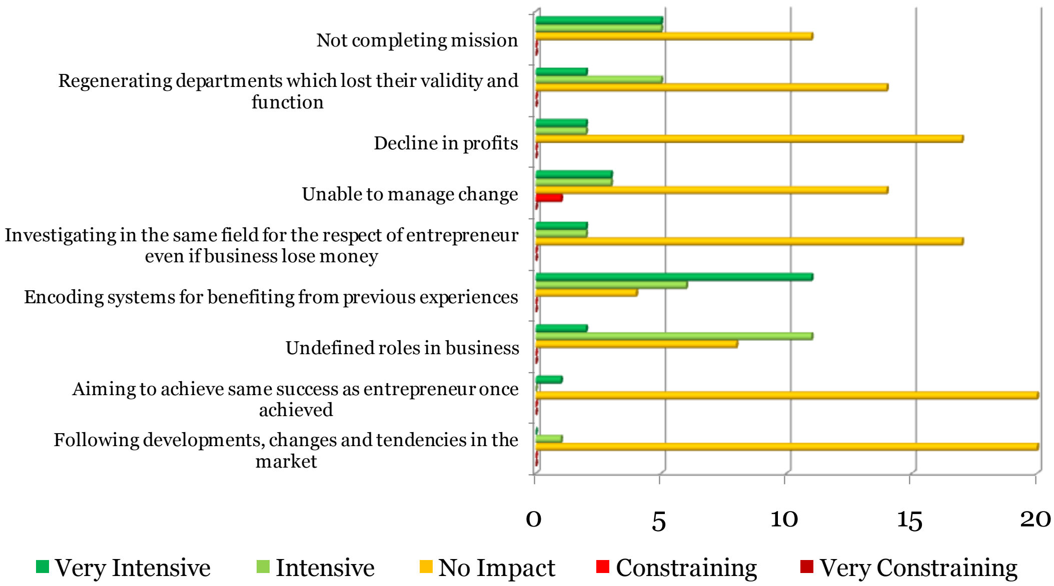

Figure 3.13 Organizational features

As mentioned earlier, although successor generation is educated, they mainly lack of experience. After cognition of this deficiency, it is recovered by placing special emphasis to documentation and started to be applied generally by successor generations. Successor generations believed that, documentation decreases high amount of working hours, possible failure risks arise from their lack of experience, by control brought by institutionalization which is known as helpful to increase profits of a firm. In addition to that, with documentation, new employees are informed quickly about responsibilities and roles attached to them.

Except one, all respondents point out that, owner's vision and social relationships, mainly informal, are accounted for following developments and tendencies in sector for developing new projects. As a matter of course, relationships and vision is limited and inconsistent, causing business to have limited and inconsistent projects, where chairman of board becomes incompetent to lead board in strategic decisions. Unsuccessful missions are shown as a conclusion of global crisis mostly not as an unstructured organization.

For nine of the respondents, every new construction project requires different qualified employees, equipment, and investment model. So firms tend to employee small fundamental crews and departments constantly and revise rest with every new project. High employee numbers are not consistent meaning less responsibility on firm and more costs with each new employment. Though, two firms tend to hold qualified employees whether new project is requires their qualification or not. With this application, trust is enhanced throughout the firm with increased ethical behaviors of employees.

3.4.1.6 Enforcement of Employees and Professionals to Become Institutionalized

Outcomes signify the importance of employee and professional effects in institutionalization process of a firm (Figure 3.14). But, seven respondents emphasize their observations of employee unwillingness when these systems are applied because of increased control by performance evaluation of employees and paperwork for documentation. Application of continuously revision required standards brings out more individual work needed to be endeavored by employees, turns out to become a burden in time. However, with the pressure of labor unions, employees forces firms to generate promotion systems, depending on achievements and performance measurements. While this is valid for three firms, two firms promote their employees considering their kinship to family and only one firm uses previous promotion systems for new promotions.

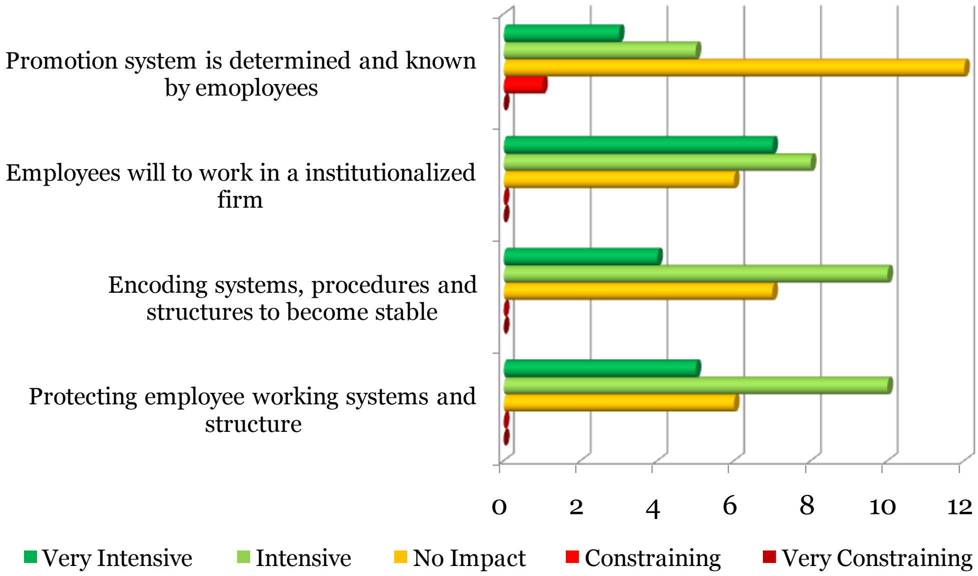

Figure 3.14 Enforcement of employees to get institutionalized

As long as they are rational and ease processes, systems experienced by professionals are encoded (Figure 3.15). Professional’s suggestions are taken into consideration and accepted effective enough to be applied, if professionals are leveled at managerial positions and supported and enforced by board of directors. According to three respondents, one of them is a nonfamily member manager, shareholder’s lack of confidence to professionals, come from mostly because of professional’s beneficial act on inexperienced successor generations.

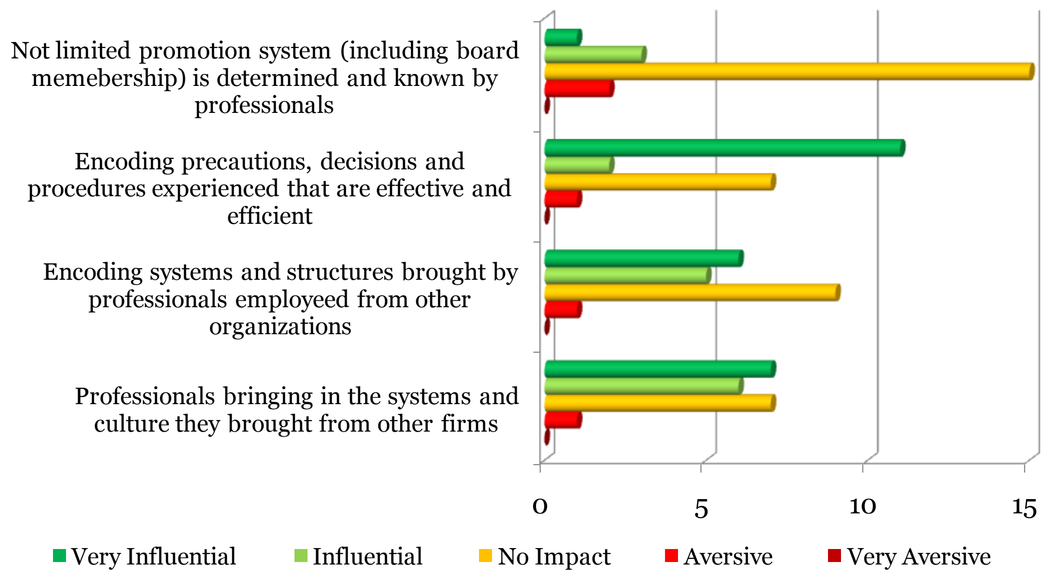

Figure 3.15 Enforcement of professionals to get institutionalized

Ten respondents accepted influence of professionals on shareholders during decision making stage, but, still last word on a decision belongs to owner who invested capital of the firm. According to respondents, since capital belongs to shareholders, both irrational decisions are prevented and high level of control is assured.

Complaints of respondents are emerges from sector lacking professionals (qualified employees). Four of respondents elucidate this by individual behavior of professionals. They assert that, many of the professionals work for money unlike the professionals in Europe or US who work according to roles and responsibilities assigned to them. The reason behind this act is shown as the unfavorable retirement conditions in Turkey. So, many professionals get into habit of leaving their existing positions for higher amount of wages or to establish their own firms.

Professionals are mainly positioned at head of departments and are not promised higher levels like membership of boards, as family involvement figures expose, because of trust deficiency of shareholders. This will cause a decrease in motivation levels of professionals, because as implied by four interviews, a person without any objectives do not wishes to continue his/her carrier in that firm.

3.4.1.7 Environmental Conditions

This sub-section of questionnaire has given more impressive results, if economic depression item is excluded (Figure 3.16). Four respondents get economic depression as an event under the responsibility of project manager to foresee this in estimation of project budgets. These firms give responsibility to project manager to deliver maximum profit from a project. If there does not exist any rational explanation about lost profits, project manager is in danger of discharge. Aside from discharge, project manager gets either bonus payment or, success fee or, arrangement fee or share, depending on the amount of profit made. Besides forcing project managers to be prescient, documentation is seen helpful for future predictions. In addition to this, one respondent see economic depression as a chance for a big firm to acquire small firms.

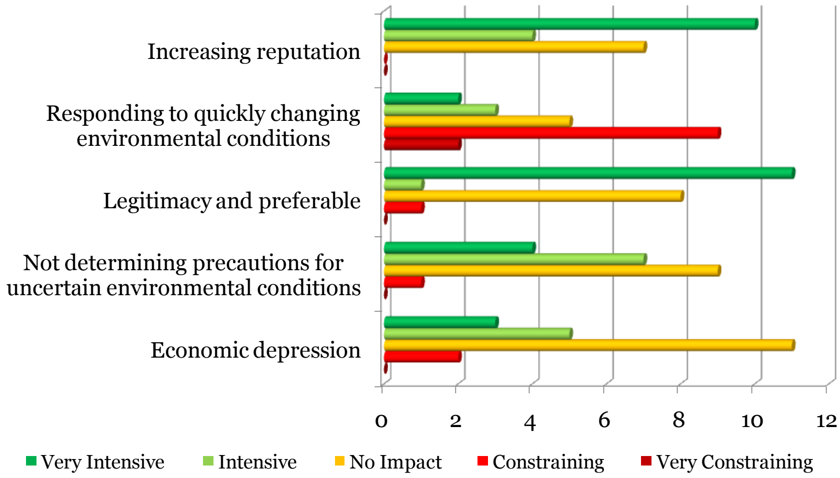

Figure 3.16 Environmental conditions

As most of the construction firms transact with state, they are not in a need of becoming legitimate and preferable. While, five internationally working firms perceive being a legitimate firm as a vital issue, two local firms give priority to being trustable and do not perceives trust as an outcome of institutionalization.

More than half of the firms believe in conserving dynamic structure of firm with a small board of management, in order to make quick decisions and gain competitiveness. Institutionalized firm is considered as a cumbersome firm when flexibility is the main requirement of a construction firm. Also, reputation is related with amount of successful constructions that a firm has accomplished. Later, reputation is expected to provide quicker developments for new projects.

3.4.1.8 Legal Obligations

Legal obligations sub-section includes fails to be an influencing part if quality assurance and standards and regulations items are ignored (Figure 3.17).

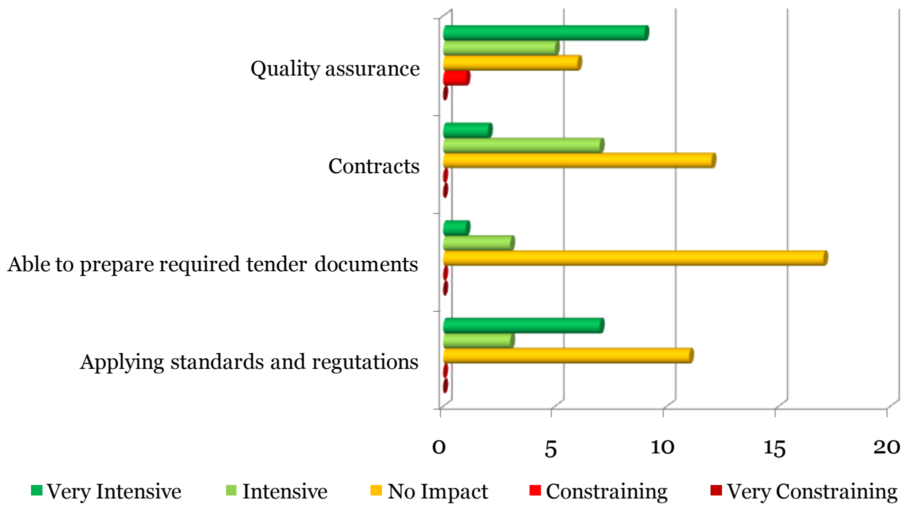

Figure 3.17 Legal obligations

Only two respondents believe that, quality can be increased and sustained with institutionalization leading to an increase in reputation and opportunities to be involved in international projects. Five respondents take quality assurance as an ethical issue, and six of them put quality as an item to take place in firm's vision.

Most of the respondents specify contracts as, responsibilities of both parties, so according to their statements, most of the time clients do not particularly wonder about firms' organizational structure. Only nine of the respondents find becoming institutionalized essential to have dominancy on contracts, otherwise they indicate that firms tend to make unhealthy verbal agreements, dangerous when there exists a conflict, depending on this agreement, to be solved at court.

For tender document preparation, only institutionalization system that is underlined is documentation. And last item; applying standards and regulations is found to be intensive when taxes, insurances and standards are thought.

To sum up, construction firms are not fully forced by family, need of organizational structure or, requirement of funding; but by, employees, growing structure and, environmental conditions to get institutionalize. In conclusion, three of five items taken part in 1st expectation, is fulfilled.

3.4.2 Outcomes of Institutionalization Process of Firms

As mentioned earlier, second part of questionnaire depends on how firms comprehend institutionalization process and act accordingly. Although full applications of all systems are rarely seen, results are satisfying for this research up to family constitution section (Figure 3.18). If profile of respondent firms is reconsidered, all firms interviewed owns standards and expected to be applying many of the items listed in second part of the questionnaire in order to own one.

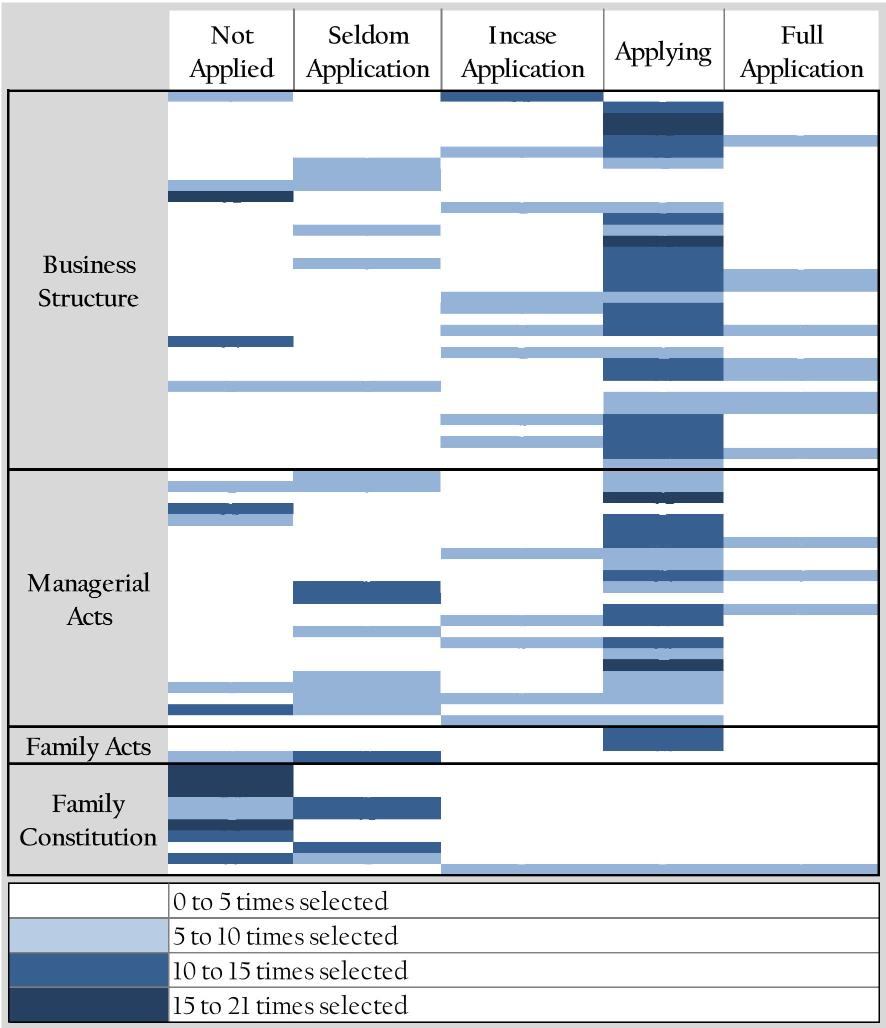

Figure 3.18 Outcomes of institutionalization process of firms

Respondent make definition of construction as; unlike mass production, construction is a service, including people, equipment and material dependency, kind of sector, which becomes subject to each kind of project it undertakes. Mass production is characterized much smoother than construction because in mass production, inputs and outputs, products and processes are estimated more accurately. The only unknown item for mass production is renewed technology which is not seen as a vital element in construction. Because of these reasons, all respondents converges that construction is one of the riskiest sectors that a firm takes place in.

A clear and approaching definition is made by five respondents which is; systems and procedures that are independent of individuals established for ensuring survival of the firm. Although institutionalization process is comprehended consciously by the entire respondents, construction sector is said to be based on irregularities including uncertainties and difficult and changing conditions. In addition to these statements, respondents observed high competition between construction firms as the number of existing construction firms is said to be more than 200,000. For Turkey-wide construction firms, ones specialized on a specific topic of construction sector, are accepted as fully institutionalized firms.

Firms that are not specialized on a specific construction branch and firms unable to compete in this environment tend to work abroad. Turkey is not seen as a supportive country in international projects because of its undeveloped technology and unstable economy. Also, international projects are mainly temporary to construction firms which confines business development chance. Under these conditions, shareholders prefer to have liquidation of firm option and this is easiest with a family firm than with an institutionalized firm for respondents. Also, ten respondents agree on a flexible firm, like Geraldi suggested for multi-project firms in 2008, in order to comply by re-organizing existing structure, for each project, have quick decision making mechanisms, and ensure coherence in firm under these changes which is not seen possible for fully institutionalized firms by respondents. So, a maximum of 60% institutionalization is recommended by respondents.

3.4.2.1 Business Structure

Suggestions made on having an institutionalized business structure by developing items appeared in questionnaire are mainly selected as applied by interviewed firms.

In figure 3.19, except splitting execution board from management board, risk management systems and adapting structures from other firms (mimetic isomorphism), most of the items are applied or fully applied by interviewed firms. By nine of the respondents, reason for not splitting execution board from management board is given as demand of professionals to have owner interrupting processes to ensure authority and control. Another one is shown as, construction activities where procurement and investment decisions are needed to be made together.

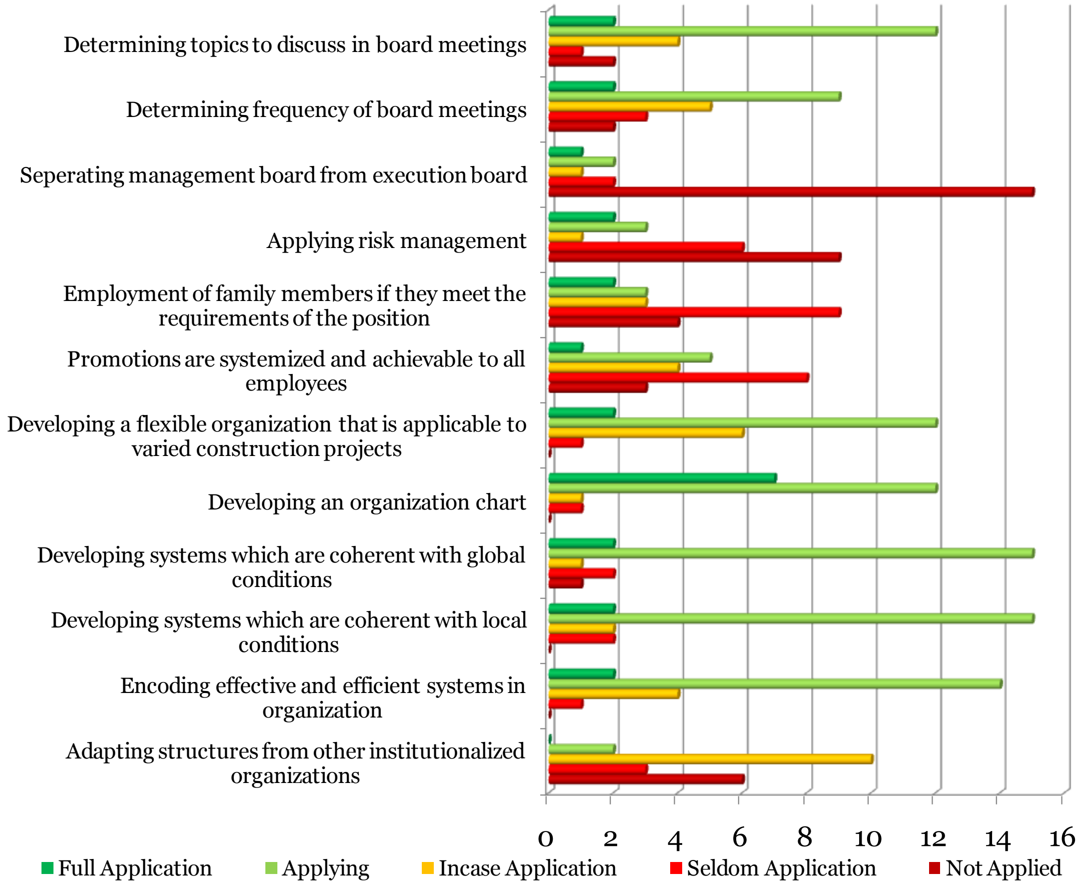

Figure 3.19 Business structure (1st part)

Risk management is left to shareholder’s initiative and experience, with the amount reflected to project cost before bidding proposal. As mentioned, determination of board members and frequency of board meetings are all legal requirements. Although full application is not seen by respondents, experienced board members become effective in decisions made. Another application is, allocating voting rights according to the percentage of shareholder dividends.

As mentioned earlier family members are said to be employed according to their qualifications. In figure 3.19, respondents selected seldom application for employment of qualified family members, which is not consistent with first part of the questionnaire. One responded explained this as recruiting colleagues from graduated family is also considered as family member employment.

Organizational chart is prepared only for key departments for indicating their connections and responsibilities at firm. Over and above developing globally and locally coherent systems are seen as sine qua non for construction firms.

Six firms tend to, document effective and efficient applications taking place in firms. Asides, statements indicate, twelve firms inspect other construction firms and try to apply some of the existing systems without considering influences and appropriateness of these systems to the existing firm. Only two interviewed firms takes help from a consultant firm on institutionalization.

One of the lowest scored system development item is establishment of research and development department (Figure 3.20). Activities of project development team, project design group and site experiments are considered as research and development systems by respondents, on the other hand, in this questionnaire aim of this item is to achieve an answer based on university involved or supported research and development projects. Also site is appointed as responsible from most of the documentation activities, where in some firms these reporting is still done directly to chairman of the board for control.

OHSAS and ISO standards are recognized by their improvement of easing control and monitoring past and proceeding activities. Nearly half of the respondents consider standards as an investment or a piece of paper solely, losing its aim and obligations importance once gathered. Though, most of the companies indicate that their standard qualifications as defining roles, four firms do not apply these standards fully. But same amount of firms, have written and applying standards with mentioning importance of job descriptions rather than authority allocations. Ironically employees are educated on health and safety, quality and business engaged subjects in most of the firms and accepted as more significant than role definitions.

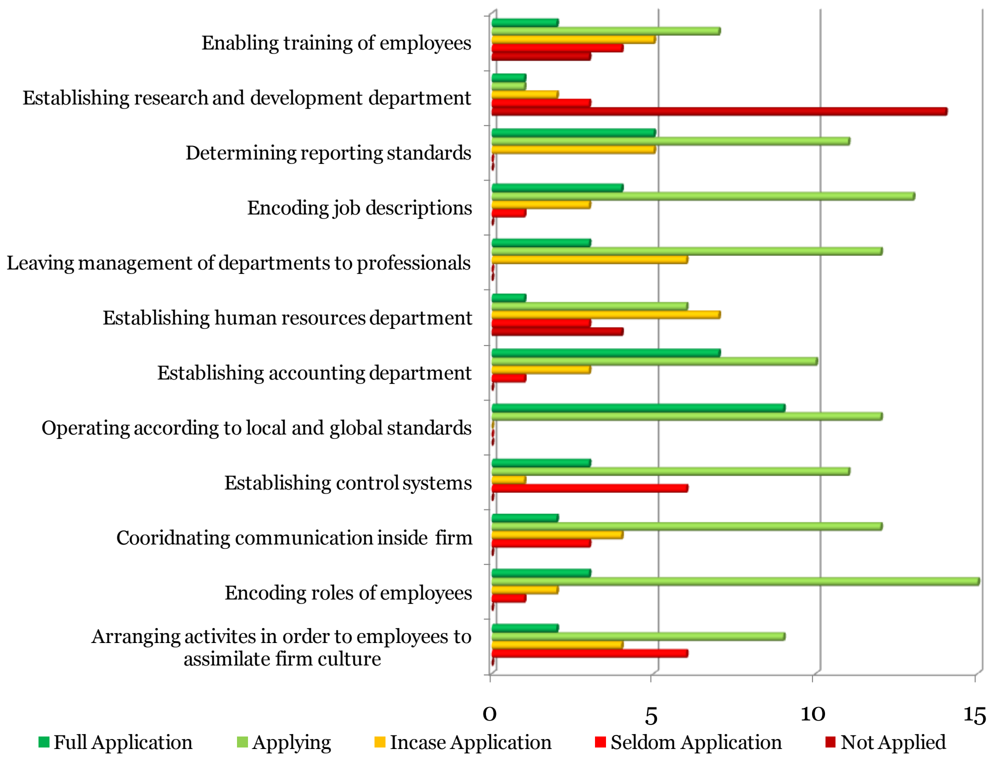

Figure 3.20 Business structure (2nd part)

Human resources department is only active in selecting possible candidates for construction firms in 10 firms, it is the head of requiring department who defines the position available and qualifications needed. Three firms first consider available family members qualified for the position first than give an advertisement. As a result, in almost all firms, board decides for recruiting a candidate for available position. In few firms, latest decision about recruitment is done by general manager for positions at managerial levels, for the rest, project manager have the authority to recruit.

In all firms, last step of control mechanism ends at shareholders. Shareholders are demanded to be active involved in firm activities by three professional respondents, because interferences of shareholder is believed to be motivating to both professionals and employees. In order to build up integrity and loyalty of employees, trainings, tours, dinners, cocktails and holidays are organized by firm. Also, communication levels are structured for archiving, sharing and reaching for documents essential.

By the way, statistical techniques are only used during preparations of bidding documents, and for monitoring resource usages like machinery (Figure 3.21). Unless procurement authority within specified limits is given to project manager, procurement becomes a three staged elongated process starting with site requirement, and continued with approvals of technical office, project manager, and board respectively. For high amounted procurements, supplier only makes sales when there shareholder of the firm also get involved into the procurement process.

For five of the firms, changes made by project firm are approved by project manager and technical office, later carried by site. ISO is treated as a symbolic paper so there doesn’t exist an ISO manager position in five of firms; unfortunately, project manager deals with most of the acts that an ISO manager should perform and shown as an ISO manager. There is no legal sanction for appointing an ISO manager; as a consequence ISO manager names exist only on papers for ten firms.

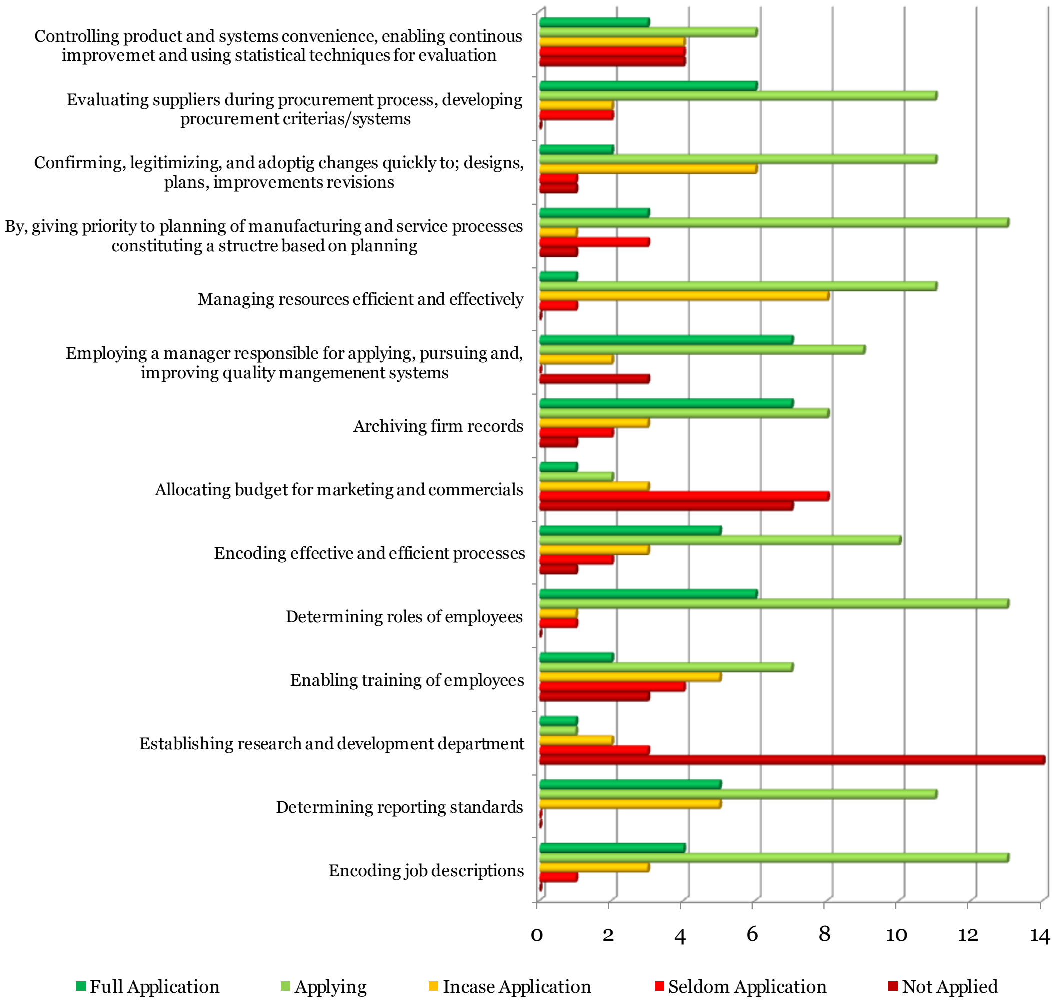

Figure 3.21 Business structure (3rd part)

Internet sites are referred for marketing and advertisement for half of the firms, whereas firms that are in transaction with state do not invests on marketing. But for other investment fields, firms allocate resources advertisement and marketing.

3.4.2.2 Managerial Acts

Members of board are dominated by family members and written for fulfilling legal requirements (Figure 3.22) as mentioned before in recent sections. Five of the nonfamily members of managers are content with this domination. Their common reason is that, members of board of directors are legally responsible from the liabilities of firm's debts when bankruptcy occurs. So, professionals are not very keen on becoming a member of board.

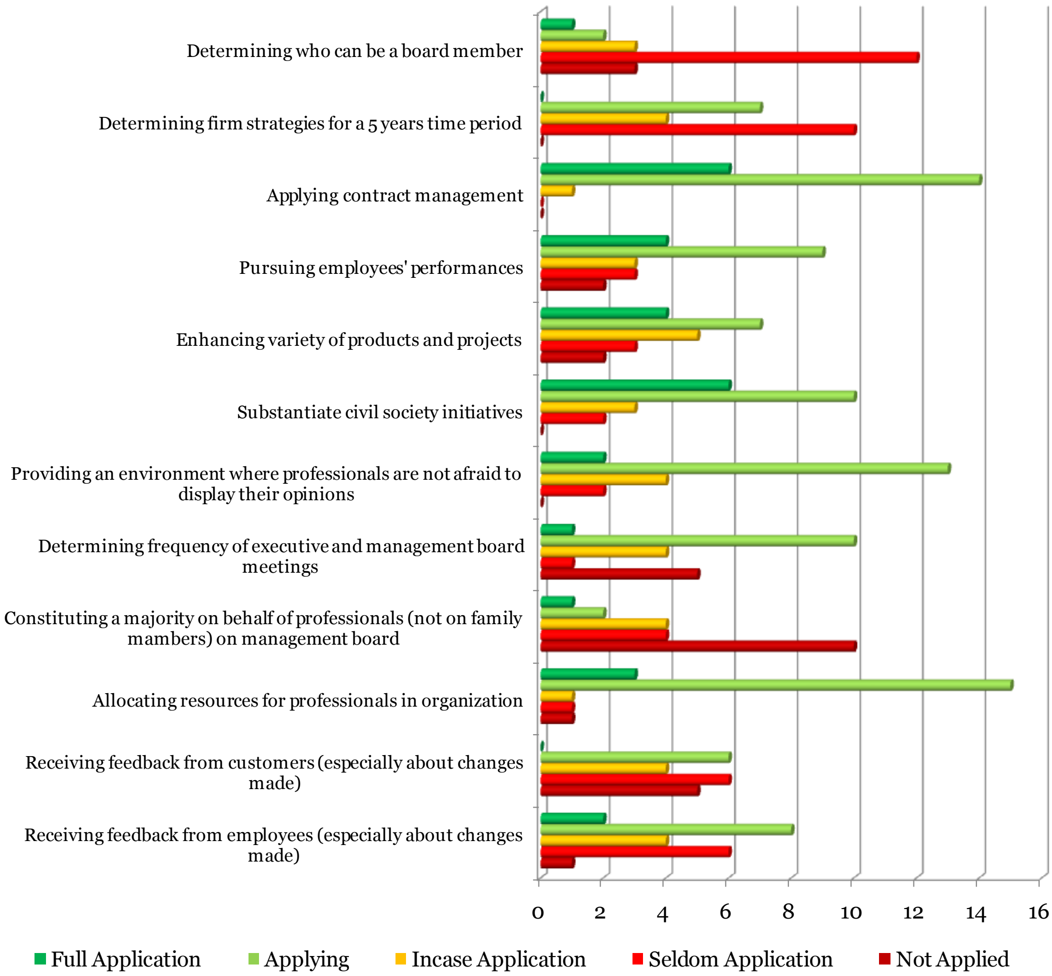

Figure 3.22 Managerial acts (1st part)

Yet, there must be professional opinions rescuing decisions made independent of shareholders' individualistic acts, and protection of capital belonging to firm first before intending to grow business. But still four professionals stated that, they are not fulfilled with current firm conditions to explain their thoughts within comfort.

Also, as the number of members in the board increases, conflicts arising from board increases. That’s why, not only shareholders but also professionals converges on small management board. In addition to professional need at board, firm strategies are defined only for one year for eleven firms, which is even every three months for two firms. Investments are based on budget estimations and income and outcome tables done at the end of each year. Reason for this short period of time is the unstable economic situation of Turkey.

Instead of contract management department, contract applications are mainly under responsibility of project manager, like monitoring of changes. Only one firm needs approvals of finance, law including insurance and board respectively to put a contract into an action.

Performance of employees are mainly determined by observations or, for project managers, with how much profit they have made by managers positioned above them. These observations are reported to general manager for possible appointments.

Civil society initiatives are is taken seriously by firms and contributed with donations made for schools and charities, scholarships given, developed site areas, providing sponsorships, constructing green buildings, and denoting culture convention centers and school buildings.

Feedback from employees and customers are taken verbally. Most of the firms interviewed developed a system for employee and customer feedback systems. Only a firm applies customer feedback system because of existence of an external audit in a project they are involved.
Except two firms, whose aim are to increase family assets only by showing projects at breakeven points, all firms tend to increase firm capital for being capable of making investment to bigger projects, and increase reputation. It is for

sure that all firms allocate risks by making alternative investments and diversifying products (Figure 3.23).

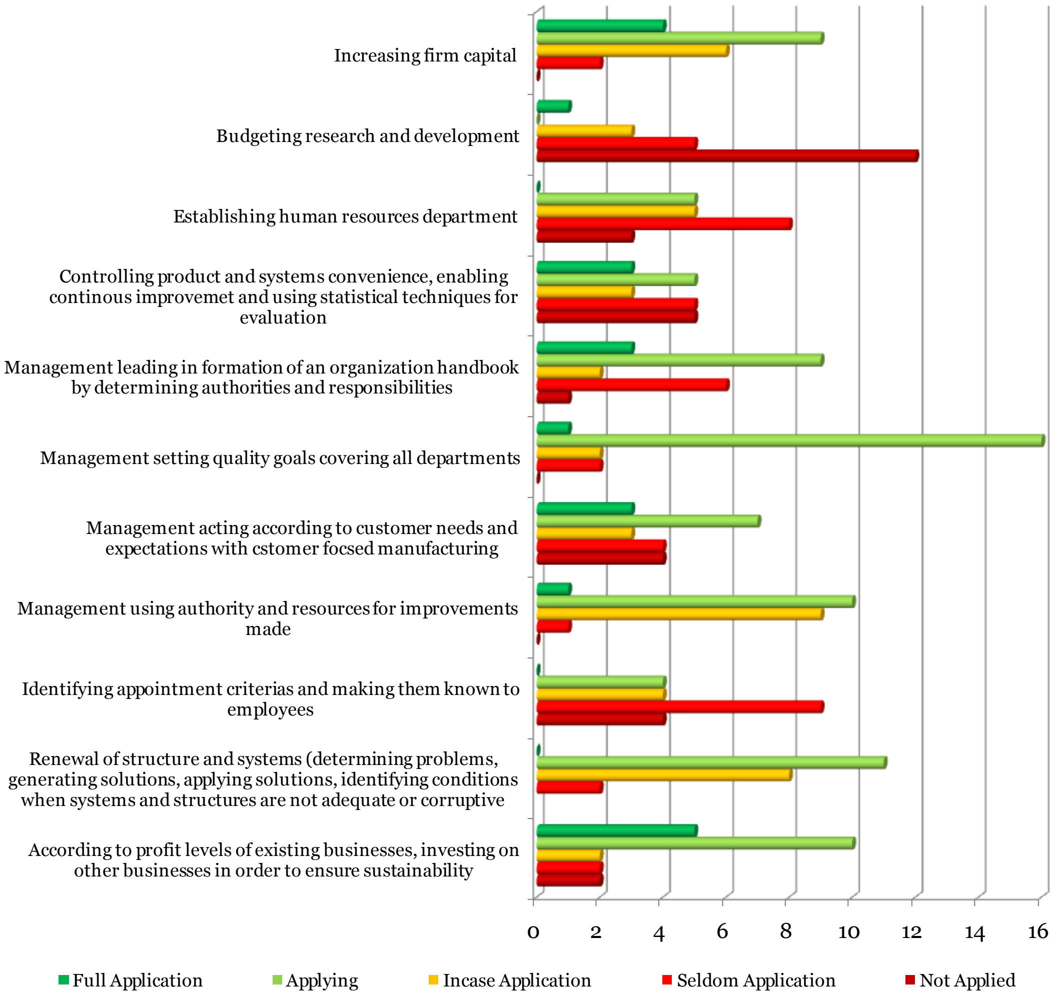

Figure 3.23 Managerial acts (2nd part)

It is expected these firms not to allocate budgets for research and development, as reasons stated in business structure part of questionnaire. However an organization handbook is developed for accelerating adaptation process of new employees by twelve firms and kept by head of each department in order not to be taken and modified by other companies.

Renewal of structures and systems is taken as a service by a consultant firm by two construction firms. Whereas, five firms find consultant help garbage, unless consultant observes how firm operates in an established culture. Despite, change needs support from management board, is what professionals emphasize in order to be successful and applicable.

In an unstable, highly competitive environment, where contract cancellations take place frequently, construction turns out to be highly risky business, that is why long termed, easy to manage and control, containing fixed amounts of inputs and outputs, constantly cash generating, and profitable investments, are done to support construction activities. With income gathered from these side investments, construction activities become easy to sustain, firm becoming more competitive and preferred by highly qualified professionals in sector according to all respondents.

3.4.2.3 Family Acts

The main deficiency is the absence of a system transferring tacit knowledge (Figure 3.24). Only three firm shareholders work for this system to be in written form, others are unfortunately processes with verbal education. A reason is the inability of 1^{st} generation to transfer tacit knowledge. Another responded mentioned unwillingness of next generation, who also lacks loyalty to both family and firm, to learn business.

In overall demand of all firms lays constitution a system harmless to, but benefits from family and firm and at the same time compatible with family characteristics. Only one firm reserved transaction costs belonging to institutionalization process.

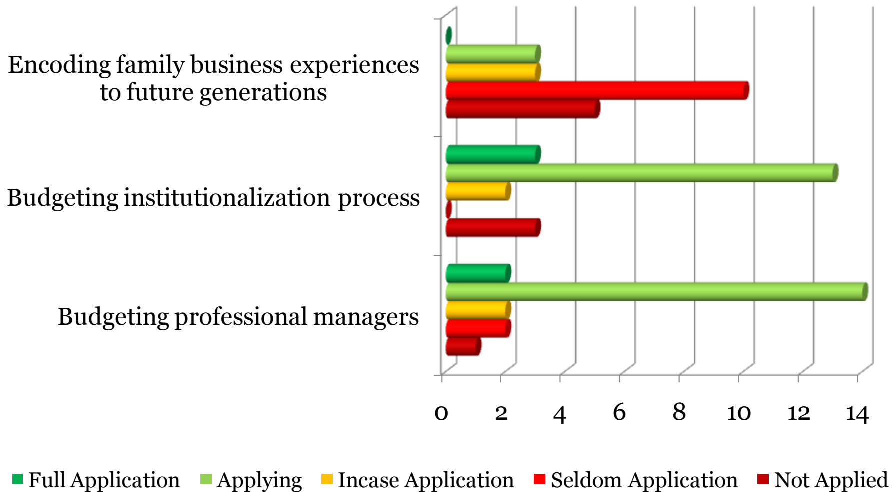

Figure 3.24 Family acts

3.4.2.4 Family Constitution

Family constitution is a critical system, determining firm's future with systemizing relationships of family members, and influence of family to firm. As high red areas in Figure 3.25, construction family firms are walking on tight ropes.

The only widely applied institutionalization item belonging to family constitution is the aim of increasing firm capital which happens to meet continuous growth expectations of shareholders. Respondents prove their tendency of investing in firm with minimizing the amount of shareholder's profit in order to invest in firm. Four of the companies lay stress on unwritten family culture and its great coherence effect on firm. Like family culture application, shareholder's agreement is verbally agreed and only available in written format for one firm. Respondents are aware of a need for a written shareholders agreement inside firm, but it is expected heritage and family ethics to fulfill this need.

Successor managers, who are determined by family members, traits are not written also, but it is believed to be applied by educating successor generation and giving opportunities to experience firm conditions more intimately with the help of existing loyal veterans.

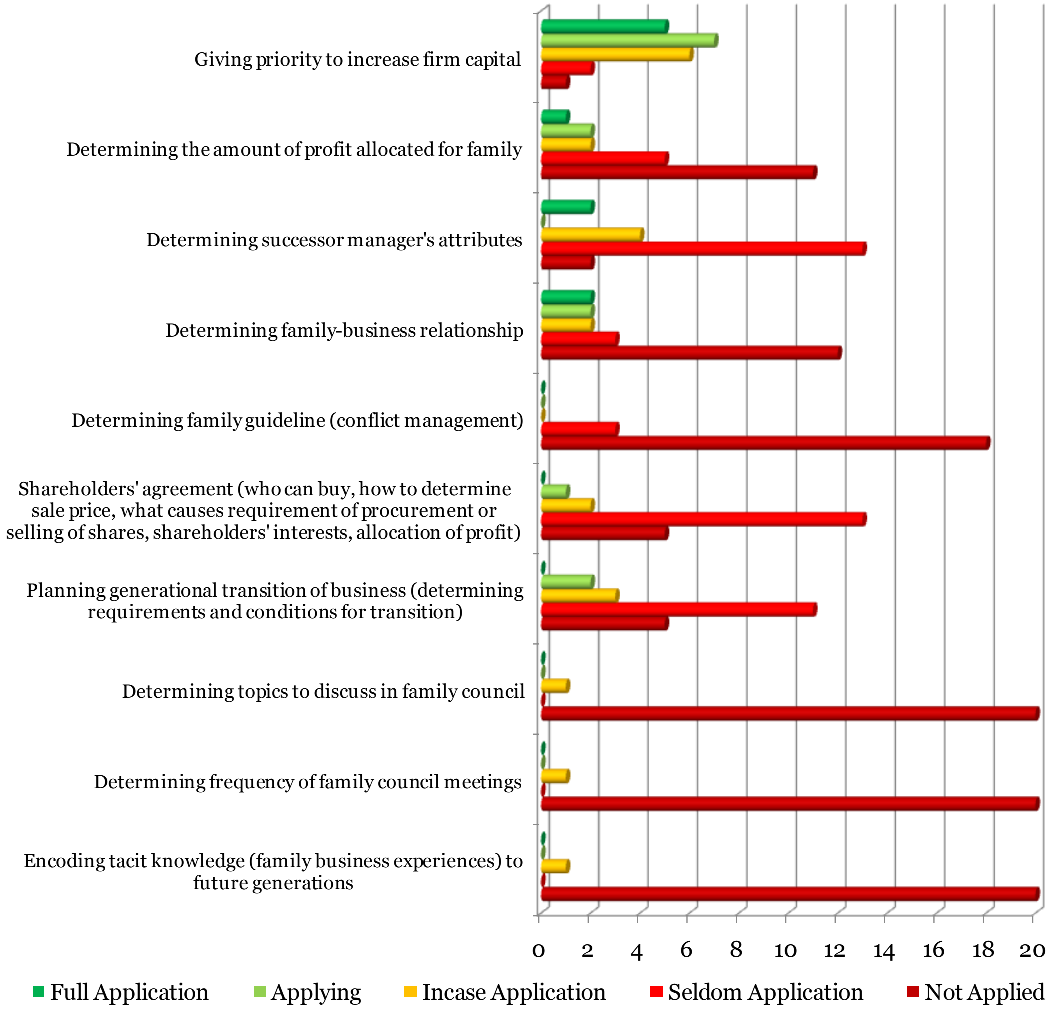

Figure 3.25 Family constitution

As long as none of the firms include a family council, determination of council topics, members allowed to council and frequency of council meeting are all become dummy elements for this part of the questionnaire. Five respondents consider informal family meetings as verbal family constitution meetings.

3.4.3 Outcomes of Effects of Institutionalization

Ministries of Turkey are exemplified by all firms as fully institutionalized but severely ossified structures. Each time a respondent have transaction with state first impression of systems functioning in organization are cumbersome. As a result none of the interviewed construction firms aims to construct a nonflexible structure in the name of institutionalization. Furthermore, influence of institutionalization is accepted by all respondents as positive for improving control (Figure 3.26). Although high amount of control is said to slow down and decrease efficient and effective construction processes, this malfunctioning is emerged from assignment of one person to monitor and control all processes. If systemized and applied rationally, control is expected to decrease errors and gaps, and causes profit spike.

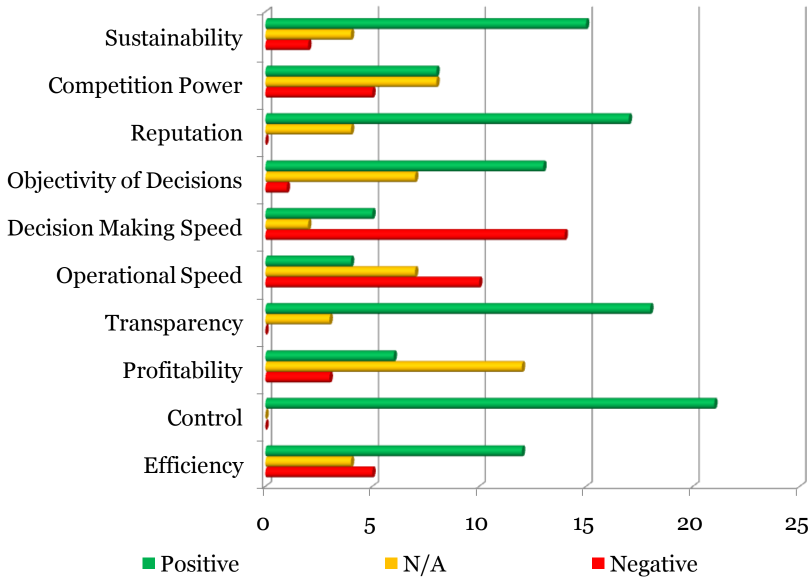

Figure 3.26 Outcomes of final part of questionnaire

Also, institutionalization is considered as an indicator to make pellucid of systems like; finance, law and insurance functions of firm. Although three firms find becoming transparent as, jeopardous incase of decreasing competitiveness of firm by making information easily achievable to competitors in the market. This will not only cause a decrease in profitability levels of firm in bidding phase with high amount of tendering.

Then comes increase in reputation as an institutionalization outcome. Reputation is related with social relationships and amount of civil society initiatives performed. With fifteen responds, institutionalization is referred as an instrument which has positive influence on sustainability which impels positively in comforting employees of that firm.

Half of the respondents take objectivity in decision making process as a positive outcome of institutionalization whereas seven respondents do not relate this outcome to institutionalization process of firm. It is repeated here again that, smaller the size of board (including less chaos creator professionals), refers to quicker decision making process, so a democratic decision making system is not seen as a vital element for a construction firm. In one of the firms, conflicts are discussed until one side is convinced and by this majority of votes is obtained. Moreover, for surveyed firms, decision making process is directly related to shareholders; which is mostly emerged from either their personal benefits or visions they have. As a result, respondents outweigh on negative influence of institutionalization on decision making speed.

Another negatively affected outcome is operational speed of firms where ten respondents evaluated negatively. If paperwork is not optimized and employee cognition on documentation, procedures and systems is low, this outcome is negatively affected by institutionalization process of firm.

Efficiency is seen as neither a positive or a negative outcome of institutionalization process proceeded in firm. Efficiency is depended mostly on project and work type. Efficiency is not expected to be increased at initial stages of construction, but after a decrease in responsibilities and workloads of employees a slight increase in efficiency is observed for firm operations.

Competition power is rated similar to efficiency factor. First of all informal relationships and their importance are stated as undeniable in order to process with new projects. Another fact is, making high quality constructions limits competitiveness of construction firms with high amount of bidding proposals for high amount of standards. Besides firms with low level of knowledge and experience are find out to be more competitive because of their braveness of taking high risks by making lowest offers for bidding. Also, institutionalization brings constant expenses, all of which causes low compatibility power with increased offer amount during preparations of tender documents. This disadvantage is overcome by international firms' preference to work with subcontractors.

Firms institutionalizing in order to increase their profits are considered as irrational acts. It is known that; as constant expenses increases with increased level of institutionalization profits do not tend to increase up to a point where decrease in risk leads to an increase in profit levels.

4. CONCLUSIONS AND FURTHER RECOMMENDATIONS

In this thesis, it is aimed to give a start to uncover institutionalization efforts of construction firms in Turkey. Although a questionnaire is evaluated to have statistical outcomes, interpretations of respondents offer a more rational insight into these outcomes than approximations of literature. That is why, outcomes of questionnaire is enhanced with respondents' experience oriented detections only. Three parted questionnaire is formed to obtain clues about; why construction firms want to institutionalize, what they implement to institutionalize and which vital elements are satisfied.

First part of the questionnaire is on factors leading to institutionalization as mentioned in previous chapter. Growth of business is found as the most propellant power to institutionalize and followed by institutionalization enforcement of employees and professionals recruited.

Increase in employee number, level of activities, workload of employees, turnover rate and communication are the main elements that indicate business has started to grow. Business growth enforces a firm to operate in a more systematic manner where departments are formed to answer increased needs of business. Also, construction firms comply with institutionalization process cycle's childhood phase (Figure 2.4) where, one of the first triggering forces acting on a firm to institutionalize is firm based forces. As can be remembered, firm based forces are composed of operational, which are mainly technical requirements. The reason for employee diversity to have no impact is due to small number of internationally operating firms are interviewed besides nationwide operating firms. Age of firm is found to be irrelevant factor for a firm to get institutionalize which is a good sign showing managers' cognition of institutionalization process as a need not a must for construction firms.

Motivation is the base for employee efficiency and forms foundation of service based businesses like construction. In order to enlighten construction firms' institutionalization enforcements, employee and professional power, which takes place in both firm based forces and changes in forces part of childhood phase, is checked. Except feeling a need to generate a promotion system, routine way of employee working systems are found important to be protected and effective to get institutionalize. Systemizing promotion system is not considered as an influencing factor although it is a motivation amplifier, indicates high rate of family involvement to promotions and employments that take place in construction firms. This is due to family's persistent will to control in decisions made inside firm. As stated before, this kind of family acts are based on family's governance monopolization will. Another fact is, qualified employees (professionals) are attracted by institutionalized firms' stunning and stable view and used by most of the construction firms, as results points.

Inactive board of management and transfer of firm items are not considered as obstacles or driving forces for a firm to get institutionalize. One of the reasons behind that is respondents' positions, which are either board members, not fully criticizing the system they generated, or non family member managers who do not have any idea on developments taking place in family about firm transfer. Other reason is that all firms have successor family members to take over business, so business transfer is solved for a one transition phase. But this temporary solution will not be effective for future generations when conflicts arise due to number of family members willing to take a part in the business especially for managerial positions.

Firm capital is aimed to be increased by most of the firms, but to raise funds; firms still refer to traditional methods like, financing investments directly from family assets. This financing system works as long as family governs the firm, but when family becomes shareholder only, these construction firms will suffer in financing firm. Yet, another trouble is family's full dependency on firm success. Any failure experienced by firm will directly affect family peace, or vice versa any conflicts arising between family members will directly affect firm investments. On the other hand, firms do not employee family members with a blindfolded attitude. Experiences taught them to employ family members according to their qualification concurrence to the required position.

Organizational features like; mission accomplishment, business development, success and profit decline are also found to be inoperative in an institutionalization process of firm, accept encoding of systems and roles. Existing organizational structure is not yet failed to evoke managers for making a radical meeting like the re-structuration narrated in adolescence phase of institutionalization. Therefore most of the interviewed construction firms are still at childhood phase or stay unmodified despite changes in forces. That is natural because entrepreneur is still managing and controlling the business for nearly all interviewed construction firms.

Environmental forces are also investigated and resulted very intensive, especially for reputation increase and gaining legitimacy, for most of the items but not for giving quick responses to environmental changes. Of the most important feature of a construction firm to respond changes, because construction business is composed of unique projects and change is inevitable. At this point, institutionalization degree question emerges. In literature review chapter, this answer is responded with Geraldi's study (2008), suggesting a creative-reflective organization, which is structured as much as flexible, in order to achieve success for highly complex and various number of projects. In conclusion, Turkish construction firms are conscious enough not to get fully institutionalized.

Legal obligations enforce firms to systemize their process systems only at establishment stage of firm; afterwards they are not yet come across with the changes developed in firm. Interviewed construction firms consider being legal as an ethical issue, especially for constructing within regulations and quality standards.

As mentioned earlier, second part of questionnaire depends on how firms comprehend institutionalization process. Although full application of systems offered is a rarely seen situation in literature, up to “Family Constitution” section (Figure 3.25). If profile of respondent firms is repeated, all firms interviewed owns standards and should be applying many of the items listed in second part of the questionnaire to acquire at least a ISO 9001 standard.

Business structure criteria are mostly applied according to the current results. As can be refreshed, in the era of entrepreneur (1^{st} generation) all activities like; control, risk management and accounting, are mainly either performed or controlled by entrepreneur one by one. So, high amount of system application outcomes arise from entrepreneurs’ not only managerial but also executive role, proving that still decisions are made from a single center. But, these firms generate systems, like communication, in order to cope up with project specific global and local conditions. For example, that is why project specific changes are quickly applied, not changes resourcing from firm structure. Because once established, firms do not tend to revise them. Also, outcomes matches with the traits of construction firms, indicating many of them are still governed and managed by 1^{st} generation, so they are still at childhood of institutionalization.

Responsibilities are allocated by encoded roles and hierarchic system for most of the firms. But, in order for creating a system that is flexible enough for each site to work efficiently, project managers left under a responsibility burden, including detecting uncertainties and risks, controlling application of changes, documentation and quality standards, managing resource allocation and contracts. While attempting to increase operational speed by decreasing load of work on headquarters, project managers are overburdened in construction companies. So each becomes a small version of entrepreneur and after a while resigns form firms to build up their own firms which is also an establishment story for most of the construction firms. On the other hand, employee loyalty and assimilation is tried to be increased by social activities, organized by firm.

In construction firms, as long as stereotyped documentation systems do not end up with archiving, system turn out to be dysfunctional for backing up research and development studies and generating solutions from past experiences. Because, archiving makes available to use statistical analysis, which is helpful under unstable and highly competitive conditions of construction sector, for easing decision making process.

Business structure is formed by mostly normative, but also with mimetic isomorphism. A sign of mimetic isomorphism is seen in firms' act of copying successful organizations' generated systems to increase reputation that these firms have and to deal with unstable and competitive environment like copied construction firms do. This is a danger for firms adopting structures unconsciously without thinking coherence of these applications to their organizations. In consequence, a system and a structure is built by firms in order to operate in the field with considering, management and operations, but not family involvement. But, most of the firms will achieve a healthy structure by normative isomorphism which dominates institutionalization path of construction firms by appealing to employed professionals, family culture and standard setters.

Another point is absence of a fully functioning human resources in construction firms. Motivational decreases with increased turnover rates occur because of undetermined promotion systems which is causing blur carrier options for employees. In addition to that, lack of a human resources system will also lead disputes in family if unfair and prejudiced appointments occur in firm.

In managerial acts section, it is observed that democratic decision making is not valid for most of the firms because of family dominated management and symbolic board. Although characteristic and number of board members with frequency and topics of board meeting are determined, these are not applied strictly. These determinations are not made because building a system but to comply with law and regulations only. As a result, decisions can be malicious in a way that are prejudicial to firm operations and structure if depends on only family interests. Also, professionals are not very effective on boards and limited to make recommendations in board meetings.

Construction projects duration do not permit a construction firm to plan and make long term investments. That is why, importance and necessity of risk diversification option is emanated and fully applied by construction firms in Turkey.

Construction firms are not criticized by customers, because it is accepted that customer needs are mentioned in contracts and structures are build upon contract requirements. Without customer feedbacks, construction firms lose their chance to take actions in order to make betterments in the way they operate.

One of the management acts of construction firms is seen on institutionalization adoption which is based on forcing. Forcing means episodic type of power usage and see adopting target as an object, resulting in systems to be effective for a very short period of time with lowered stability of firm.

Institutionalization of family acts fails for construction firms in Turkey. For example, successor manager is not determined by prescribed family rules, leading to disagreements in family mostly resulting in sale of shares by liquidating firm. This outcome is also supported by, successor generations who are in danger of becoming unsuccessful in projects that are used to be accomplished successfully, before just because of inadequate tacit knowledge transfer. This is due to unconsciousness of family members and their act of leaving business to chance according to their reactions to the questions asked. Except one, rests of the family members are unaware of family constitution, even to institutionalize family concept. Another fact is that number of fifteen respondents who are non-family members and do not have any idea whether family is into that preparation or not. In Turkey families dealing with construction must also be institutionalized to decrease family intervention to firm mechanism and determine family-firm relations.

In the final part of questionnaire expectations of firms from institutionalization are tried to be determined. Increased sustainability is the principal expectation of all firms in institutionalization process, but with their highly influencing family domination and not institutionalized family, sustainability will always be a criterion that construction firms work on to ensure. Also, firms aiming to institutionalize, regard institutionalized construction firms as prestigious and reputable.

Mimetic action of institutionalizing firms is triggered a result of this perception way of institutionalized firms. Having a transparent firm is a conclusion of institutionalization but can be dangerous in a highly competitive sector like construction and can cause loss of competitiveness of construction firms if bidding stage is considered. All respondents cognized necessity of institutionalization in order to ensure a more accurate control.

Profitability is a result of efficiently operating firm. But firms are not fully accepted the positive influence of institutionalization and as a result do not expect an increase in profitability of firm. Further, the most negative outcomes of institutionalization are on speeds of decision making and operations. If flexibility is adjusted finely according to firm needs, these institutionalization outcomes will turn out to be displayed as positively influenced factors.

Results indicate that, firms try to apply institutionalization as a package program in order to assure control, profitability and, sustainability for many generations without any recognition of family and effects of family on businesses. Although level of institutionalization resulted high, firms find ossified institutionalization as a blind end lowering flexibility of businesses and a threat for multi-project based firms.

For further studies;

- number of interviews may increase to generalize outcomes,
- research can be carried to another dimension and turn out to be a case study for observing institutionalization systems’ necessities, like effects of a professional dominated board, for construction firms,
- determining financial contribution of an institutionalized department in a firm.

REFERENCES

Alayoğlu, N. (2003) Aile Şirketlerinde Yönetim ve Kurumsallaşma, MÜSİAD Yayınları, İstanbul

Alpay, G., Bodur, M., Yılmaz, C., Çetinkaya, S., and Arıkan, L. (2008) "Performance implications of institutionalization process in family-owned businesses: Evidence from an emerging economy", Journal of World Business, 43, 435-449

Ansell, C. (2006) "Sociology of Governance", Encyclopedia of Governance, SAGE Publications, http://www.sage-ereference.com/governance/Article_n507.html (Date of visit: 27.05.2009)

Armour, H. O., and Teece, D. J. (1978) "Organizational Structure and Economic Performance: A Test of the Multidivisional Hypothesis", The Bell Journal of Economics, 9(1), 106-122

Astrachan, J. H., and Jaskiewicz, P. (2008) "Emotional returns and emotional costs in privately held family businesses: Advancing traditional business valuation", Family Business Review, 21(2), 139-149

Astrachan, J. H., Allen, E., Spinelli, S., Wittmeyer, C., and Glucksman, S. (2003) American Family Business Survey 2002, George and Robin Raymond Family Business Institute, New York

Barkanov, B. (2006) "Institutionalism", Encyclopedia of Governance, SAGE Publications, http://www.sage-ereference.com/governance/Article_n264.html (Date of visit: 27.05.2009)

Barclays Wealth (2009) "Volume 8: Family Business: In Safe Hands?", Barclays Wealth in co-operation with the Economist Intelligence Unit, http://www.ffi.org/user_files/documents/resource_articles/2009_barclays_fb_in_safe_hands.pdf (Date of visit: 10.04.2010)

Barley, S. R., and Tolbert, P. S. (1997) “Institutionalization and Structuration: Studying the Links between Action and Institution”, Organization Studies, 18(1), 93-117

Beckert, J. (1999) "Agency, Entrepreneurs, and Institutional Change: The Role of Strategic Choice and Institutionalized Practices in Organizations", Organization Studies, 20(5), 777-799

Birdthistle, N., and Fleming, P. (2007) "Under the Microscope: A Profile of the Family Business in Ireland", The Irish Journal of Management, 28(2), 135-170

Bowen, G. L., Bowen, N. K., and Richman, J. M. (2000) "Families in the Context of Communities Across Time", In: McKenry, P. C., Murphy, M. J., and Price, S. J., Across Time: A Life Course Perspective, Roxbury Publishing Company, Los Angeles, 117-128

Broom, L., and Selznick, P. (1955) Sociology: A Text with Adapted Readings, Row Peterson, New York

Burns, T. R., and Flam, H. (1987) The Shaping of Social Organization: Social Rule Systems Theory with Applications, Sage, London

Campbell, J. L. (2005) "Where Do We Stand? Common Mechanisms in Organizations and Social Movements Research", in: Davis, G. F., McAdan, D. S., W. R., Zald, M. N. (Ed.), Social Movements and Organization Theory, Cambridge, 41-68

Cheng, M-Y., Su, C-W., and You, H-Y. (2003) “Optimal Project Organizational Structure for Construction Management”, Journal of Construction Engineerıng and Management, 129(1), 70-79

Chrisman, J. J., Chua, J. H., and Sharma, P. (2005) “Trends and Directions in the Development of a Strategic Management Theory of the Family Firm”, Entrepreneurship Theory And Practice, Baylor University 1042-2587, 555-575

Chua, J. H., Chrisman, J. J., and Sharma, P. (1999) "", Entrepreneurship Theory and Practice, 23(4), 19-39

Cooney, K. (2007) “Fields, Organizations, and Agency: Toward a Multilevel Theory of Institutionalization in Action”, Administration & Society, 39(6), 687-718

Çalışkan, Ş. (2008) "Overview of Family Business Relevant Issues, Country Fiche: Turkey", on behalf of European Comission, http://ec.europa.eu/enterprise/policies/sme/files/craft/family_business/doc/familybusines_country_fiche_turkey_en.pdf (Date of visit: 30.10.2009)

Dallavalle, C. (1990) “Managing During Organizational Change”,Journal of Management in Engineering, 7 (4), 357-364

Davila, A., Foster, G., and Li, M. (2008) “Reasons for management control systems adoption: Insights from product development systems choice by early-stage entrepreneurial companies”, Accounting, Organizations and Society, 34(3-4), 322-347

Davis, G. F., and Marquis, C. (2005) “Prospects for Organization Theory in the Early Twenty-First Century: Institutional Fields and Mechanisms”, Organization Science, 16(4), 332-343

Deal, T. E., and Kennedy, A. (1987) Corporate Cultures: The Rites and Rituals of Corporate Life, Addison-Wesley Publishing Company, U.S.A.

DeFrain, J., and Asay, S. M. (2007) "Family Strengths and Challenges in the USA", Marriage & Family Review, 41(3), 281-307

Diermeier, D., and Krehbiel, K. (2003) “Institutionalism as a Methodology”, Journal of Theoretical Politics, 15(2), 123-144

DiMaggio, P. J. (1988) “Interest and Agency in Institutional Theory”, In: Zucker, L. G. (Ed.), Institutional Patterns and Organizations: Culture and Environment, MA: Ballinger, Cambridge

DiMaggio, P., and Powell, W. W. (1983) “The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields”, American Sociological Review, 48, 147-160

Drucker, P. F. (2003) Managing in The Next Society, Butterworth-Heinemann Publications, Burlington, UK

Dyer, W. G. (2006) "Examining the "Family Effect" on Firm Performance", Family Business Review, 19(4), 253-273

Eckhardt, J. T., and Shane, S. A. (2003) "Opportunities and Entrepreneurship", Journal of Management, 29(3), 333–349

Ekonomik ve Stratejik Araştırmalar Merkez Müdürlüğü (2005) "2002 Yılı Genel Sanayi ve İşyerleri Sayımı: İmalat Sanayi Değerlendirmesi", Küçük ve Orta Ölçekli Sanayi Geliştirme ve Destekleme İdaresi Başkanlığı, Ankara

Engwall, M. (2003) “No project is an island: linking projects to history and context”, Research Policy, 32, 789-808

Fındıkçı, İ. (2005) Aile Şirketleri, ALFA, İstanbul

Galbraith, J. (1973) Designing Complex Organizations, Addison-Wesley, Reading, MA

George, J. M., and Jones, G. R. (2005) Undertstanding and Managing Organizational Behavior, Fourth edition, Pearson Prentice Hall, New Jersey

Geraldi, J. G. (2008) “The balance between order and chaos in multi-project firms: A conceptual model”, International Journal of Project Management, 26(1), 348-356

Goldschmidt, N., and Chung, B. G. (2001) "Size does matter: the effect of organizational size on customer satisfaction", Journal of Quality Management, 6(1), 47-60

Greenwood, R., and Hinings, C. R. (1993) “Understanding Strategic Change: The Contribution of Archetypes”, The Academy of Management Journal, 36(5), 1052-1081

Habbershon, T. G., and Williams, M. L. (1999) "A Resource-Based Framework for Assessing the Strategic Advantages of Family Firms", Family Business Review, 12(1), 1-22

http://dictionary.reference.com/browse/institute?db=luna#etymon (Date of visit: 30.10.2009)

http://www.etymonline.com/index.php?search=institute&searchmode=none (Date of visit: 30.10.2009)

ICFIB and Praxity (2009) "The Family Business Survey 2008/2009", http://www.pmm.co.uk/uploads/Family%20Business%20survey%20results_099826.pdf (Date of visit: 10.04.2010)

Industry Canada (2009) "Key Small Business Statistics", Multimedia Services Section Communications and Marketing Branch Industry Canada, http://www.ic.gc.ca/eic/site/sbrp-rppe.nsf/vwapj/KSBS-PSRPE_July-Juillet2009_eng.pdf/$FILE/KSBS-PSRPE_July-Juillet2009_eng.pdf (Date of visit: 15.04.2010)

Institute for Family Business (2008) "The UK Family Business Sector: An Institute for Family Business report by Capital Economics", Institute for Family Business, London, http://www.ffi.org/user_files/images/nletter/2008_UK_FamilyBusiness_Sector.pdf (Date of visit: 10.04.2010)

James, H. (2006) Family Capitalism, The Belknap Press of Harvard University Press, Cambridge, Massachusetts, London, England

Johannisson, B., and Huse, M. T. (2000) “Recruiting outside board members in the small family business: An ideological challenge”, Entrepreneurship & Regional Development, 12, 353-378

Kao, J. J. (1991) The entrepreneur, Prentice-Hall, Englewoods Cliffs, New Jersey

Karpuzoğlu, E. (2002) Büyüyen ve Gelişen Aile Şirketlerinde Kurumsallaşma, Hayat Yayıncılık, İstanbul

Kırım, A. (2001) Aile Şirketlerinin Yönetimi, Sistem Yayıncılık, İstanbul

KPMG and Family Business Australia (2009) "Survey of Family Businesses", KPMG International, http://www.fambiz.org.au/documents/FamilyBusinessSurvey2009FINAL_WEB.pdf (Date of visit: 14.04.2010)

Lawler III, E. E. (1997) "Rethinking organization size", Organizational Dynamics, 26(2), 24-35

Lawrence, P., and Lorsch, J. W. (1967) Organizations and Environment, Harvard Business School Press, Boston, MA

Lawrence, T. B., Winn, M. I., and Jennings, P. D. (2001) “The Temporal Dynamics of Institutionalization”, The Academy of Management Review, 26(4), 624-644

Leaptrott, J. (2005) “An institutional theory view of the family business”, Family Business Review, 18(3), 215-228

Luo, X., and Chung, C. (2005) “Keeping it all in the family: The role of perticularistic relationships in business group performance during institutional transition”, Administrative Science Quarterly, 50, 404-439

Mason, R. B. (2006) "Coping with Complexity and Turbulence - An Entrepreneurial Solution", Journal of Enterprising Culture, 14(4), 241-266

MassMutual, Kennesaw State University, and Family Firm Institute (2007) "American Family Business Survey", Massachusetts Mutual Life Insurance Company, http://www.ffi.org/user_files/images/misc/FFI_familybusiness.pdf (Date of visit: 10.04.2010)

Meadows, P. (1967) “The Rhetoric of Institutional Theory”, Sociological Quarterly, 8(2), 207-214

Mehrotra, V., Morck, R., Shim, J., and Wiwattanakantang, Y. (2008) "Adoptive Expectations: Rising Son Tournaments in Japanese Family Firms", Working paper, University of Alberta School of Business, Edmonton, Canada and Hitotsubashi University, Tokyo, Japan

Meyer, J. W., and Rowan, B. (1977) “Institutionalized Organizations: Formal Structure as Myth and Ceremony”, The American Journal of Sociology, 83(2), 340-363

Miller, D., and Le Breton-Miller, I. (2006) "Family Governance and Firm Performance: Agency, Stewardship, and Capabilities", Family Business Review, 19(1), 73-87

Morris, M. H., Williams, R. O., Allen, J. A., and Avila, R. A. (1997) "Correlates of Success in Family Business Transitions", Journal of Business Venturing, 12, 385–401

Niehm, S. L., Swinney, J., and Miller, J. N. (2008) "Community Social Responsibility and Its Consequences for Family Business Performance", Journal of Small Business Management, 46(3), 331-350

Oliver, C. (1997) "Sustainable Competitive Advantage: Combining Institutional and Resource-Based Views", Strategic Management Journal, 18(9), 697-713

Omar, S. S., Arokiasamy, L., and Ismail, M. (2009) "The Background and Challenges Faced by the Small Medium Enterprises. A Human Resource Development Perspective", International Journal of Business and Management, 4(10), 95-102

Orlikowski, W. J. (2000) “Using Technology and Constituting Structures: A Practice Lens for Studying Technology in Organizations”, Organization Science, 11(4), 404-428

O’Sullivan, M., and Koutsoukis, A. (2008) "The Life-Cycle of UK Family Businesses", Credit Suisse, http://www.ffi.org/user_files/images/misc/2008_theLifeCycleofUKFB.pdf (Date of visit: 14.04.2010)

Peng, M. W. (2003) “Institutional Transitions and Strategic Choices”, Academy of Management Review, 28(2), 275-296

Pfeffer, J., and Salancik, G. R. (1978) The External Control of Organizations: A Resource Dependence Perspective, Harper & Row, New York

Philbrick, C. A., and Fitzgerald, M. A. (2007) "Women in business-owning families: A comparison of roles, responsibilities and predictors of family functionality", Journal of Family and Economic Issues, 28(4), 618-634

Pitta, D. A. (2008) "Product Innovation and Management in a Small Enterprise", Journal of Product & Brand Management, 17(6), 416–419

PMBoK (2009) A Guide to the Project Management Body of Knowledge, Fourth edition, Project Management Institute, Newtown Square, PA, USA

Polanyi, K. (1944) The great transformation, Farrar & Rinehart, New York

Powell, W. W., and DiMaggio, P. J. (1991) The New Institutionalism in Organizational Analysis, The University of Chicago Press, London

Powell, W. W. (2007) “The New Institutionalism”, Sage Publishers, To appear in The International Encyclopedia of Organization Studies, 1-11

The PricewaterhouseCoopers, (2007) "Making a difference", The PricewaterhouseCoopers, http://www.pwc.com/gx/en/family-business-survey/index.jhtml (Date of visit: 19.04.2010)

Queiroz, M. A. L., Vasconcelos, F. C., and Goldszmidt, R. G. B. (2007) “Economic Rents and Legitimacy: Incorporating Elements of Organizational Analysis Institutional Theory to the Field of Business Strategy”, Revista de Administração Contemporãnea, 1a. Edição Especial 2007, 177-198

Royer, S., Simons, R., Boyd, B., and Rafferty, A. (2008) “Promoting family: A contingency model of family business succession”, Family Business Review, 21 (1), 15-30

Scott, W. R. (2005) “Institutional Theory: Contributing to a Theoretical Research Program”, In: Smith, K. G. and Hitt, M. A. (Eds.), Great Minds in Management: The Process of Theory Development, Oxford University Press, USA, 460-484

Segrin, C., and Flora, J. (2005) Family Communication, Lawrence Erlbaum Associates, Mahwah, NJ

Selznick, P. (1957) Leadership in Administration, Harper & Row, New York

Sharma, P. (2004) "An overview of the field of family business studies: Current status and directions for the future", Family Business Review, 17(1), 1-36

Shepherd, D., and Haynie, J. M. (2009) "Family Business, Identity Conflict, and an Expedited Entrepreneurial Process: A Process of Resolving Identity Conflict", Entrepreneurship Theory and Practice, 33, 1243-1262

Simmonds, R. (2008) "Laird Norton Tyee Northwest Family Business Survey 2008", Laird Norton Tyee, http://familybusinesssurvey.com/pdfs/LNT_FamilyBusinessSurvey_2008.pdf (Date of visit: 14.04.2010)

Thornton, P. H. (1999) "The Sociology of Entrepreneurship", Annual Review of Sociology, 25, 19-46

Tolbert, P. S., and Zucker, L. G. (1994) “Institutional Analyses of Organizations: Legitimate but not Institutionalized”, Institute for Social Science Research 1994-95 Biotechnology Studies, 6(5), 1-47

Tsui-Auch, L. S. (2004) “The Professionally Managed Family-ruled Enterprise: Ethnic Chinese Business in Singapore”, Family Business Review, 41(4), 693-723

Tushman, M. L., and O’Reilly III, C. A. (1996) “Ambidextrous Organizations: Managing Evolutionary and Revolutionary Change”, California Management Review, 38(4), 8-30

Udy, S. H. (1959) "'Bureaucracy' and 'Rationality' in Weber's Organization Theory: An Empirical Study", American Sociological Review, 24, 792-804

Udy, S. H. Jr. (1962) "Administrative Rationality, Social Setting, and Organizational Development", American Journal of Sociology, 68, 299-308

Walter, J. (2009) "Strategic Succession Planning in the Family Business: A Guide for Executives", Gatton Student Research Publication, 1(2), 1-11

Wilson, P., and Bates, S. (2003) The essential guide to managing small business growth, John Wiley & Sons, West Sussex, England

Woodward, J. (1965) Industrial Organization: Theory and Practice, Oxford University Press, Oxford, UK

Yazıcıoğlu, İ., and Koç, H. (2009) "A Comparative Study Into The Level Of Institutionalisation Of Family-Run Enterprises", Selçuk Üniversitesi Sosyal Bilimler Enstitüsü Dergisi, 21, 497-507

Zak, P. J., and Knack, S. (2001) “Trust and Growth”, The Economic Journal, 111(470), 295-321

Zucker, L. G. (1987) “Institutional Theories of Organization”, Annual Review of Sociology, 13, 443-464