INSTITUTIONALIZATION PROCESS IN A FAMILY FIRM: A CASE STUDY

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

BY
GIANNI BERK KUBIN

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

APRIL 2018

Approval of the thesis:

INSTITUTIONALIZATION PROCESS IN A FAMILY FIRM: A CASE STUDY

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

Prof. Dr. Halil Kalıpçılar
Dean, Graduate School of **Natural and Applied Sciences** _____

Prof. Dr. İsmail Özgür Yaman
Head of Department, **Civil Engineering** _____

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

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

Examining Committee Members:

Asst. Prof. Dr. Güzide Atasay Özcan
Civil Engineering Dept., METU _____

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

Prof. Dr. İrem Dikmen Toker
Civil Engineering Dept., METU _____

Asst. Prof. Dr. Onur Behzat Tokdemir
Civil Engineering Dept., METU _____

Prof. Dr. Gökhan Arslan
Civil Engineering Dept., Anadolu University _____

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: Gianni Berk KUBIN

Signature:

ABSTRACT

INSTITUTIONALIZATION PROCESS IN A FAMILY FIRM: A CASE STUDY

KUBIN, Gianni Berk

M.Sc., Department of Civil Engineering

Supervisor : Prof. Dr. M. Talat Birgönül

Co-Supervisor: Prof. Dr. İrem Dikmen Toker

April 2018, 137 pages

The aim of the thesis is to propose a managerial framework for institutionalization of a family business. A case study has been conducted to investigate the transition process and to explore how managerial framework can be implemented in practice. The main objective of the Case Study is to investigate a family firm which is in an institutionalization period and reveal its mistakes and false actions taken during its transition period. In addition, Case Company's critical success factors to manage the transition process will also be determined through the exploratory study that will be made as a Case Study. In the first section, a literature survey has been given to point out the importance of family businesses. Several models, methods and tools on family businesses were explained and analysis of Turkish construction market were presented. Then, a managerial framework of the family-business was defined based on four managerial functions of decision-making, planning, organizing and controlling. In the following chapter, the process and actions of the Case Company in their transition period were analyzed. At the end of the study, discussion of findings was expressed. Results and recommendations for other family businesses were presented in accordance with their institutionalization process. Major recommendations

for the family business are as follows; dedicate and commit every shareholder, employees and family member to change, implement a comprehensive SWOT analysis, determine long-term strategies and objectives based on the company SWOT analysis, educate and train the next generation of the family on how to manage an institutionalized business, execute a proper business and financial planning to deal with this transition period and hire an expert to guide and to manage the institutionalization process.

Keywords: Family Businesses, Institutionalization, Construction, Strategies, Transition

ÖZ

AİLE ŞİRKETİNDE KURUMSALLAŞMA SÜRECİ: VAKA ÇALIŞMASI

KUBIN, Gianni Berk

Yüksek Lisans, İnşaat Mühendisliği Bölümü

Tez Yöneticisi : Prof. Dr. M. Talat Birgönül

Ortak Tez Yöneticisi: Prof. Dr. İrem Dikmen Toker

Nisan 2018, 137 sayfa

Bu tezin ana amacı bir aile şirketinin kurumsallaşma sürecini incelemek ve bu şirketin idari ve yönetimsel yapısını kurumsallaşan bir yapıya dönüştürmede yararlı olabilecek önerileri saptamak ve sunmaktır. Ele alınan aile şirketi incelenmeden önce, aile şirketleri ile ilgili genel bir araştırma çalışması yapılmıştır. Elde edilen veriler ve bu konu ile ilgili yapılan araştırmalar ve çalışmalar tezin ilk bölümlerinde açıklanmıştır. Bu kısımda, aile şirketlerinin yapısı, aile şirketlerinin yaşadığı zorluklar, avantajlar ve farklılıklar örgütsel şemalar ile açıklanmıştır. Daha sonra bu çalışmada ele alınan aile şirketinin kurumsallaşma süreci ve bu süreç içerisinde attığı doğru adımlar ve yaptığı hatalar bir çerçeve içerisinde incelenmiş ve açıklanmıştır. Bu çerçeve, karar verme süreci, planlama, organizasyon ve denetim olmak üzere farklı başlıklarda incelenmiştir. Daha sonra, tez çalışmasında ele alınan şirket için bir aksiyon planı oluşturulmuş ve belirlenen hedeflere ulaşabilmek adına belirlenen stratejiler ve planlamalar açıklanmıştır. Daha sonra bu hedefler ile kurumsallaşma hedefine ulaşmada yapılan hatalar ve doğrular göz önünde bulundurularak gelecekte kurumsallaşmayı hedefleyen ve planlayan aile şirketleri için önerilerde bulunulmuştur. Ele alınan aile şirketi için sunulan öneriler şu şekildedir; tüm şirket çalışanları, yöneticileri ve aile bireyleri bu değişim sürecini kabullenmelidir,

kurumsallaşma sürecinden önce kapsamlı bir SWOT analizi yapılmalıdır, SWOT analizi sonucu temel alınarak şirketin uzun vadeli hedefleri ve stratejileri belirlenmelidir, ailenin gelecek nesilleri kurumsal bir şirketin nasıl yönetileceği konusunda eğitilmelidir, kurumsallaşma süreci kapsamında iş planlaması ve finansal planlama yapılmalıdır ve son olarak şirketin kurumsallaşma sürecini yönetmesi için bu konuda deneyimli bir uzman tutulmalıdır.

Anahtar sözcükler: Aile şirketi, Kurumsallaşma, İnşaat, Stratejiler, Değişim

To my lovely parents

ACKNOWLEDGEMENTS

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

I wish to express my sincere appreciation to Prof. Dr. M. Talat Birgönül and Prof. Dr. İrem Dikmen Toker for their patience, guidance, advices and help throughout the study.

I am deeply thankful to the Case Company's professional consultant and managerial department for their assistance of both insights and resources at any time.

I offer sincere thanks to my family for their everlasting faith and confidence in me and their patience all the time.

Finally, I would like to express my sincere gratitude to the founder of the Republic of Turkey: Mustafa Kemal Ataturk for providing me a safe, independent and free working environment.

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

LIST OF ABBREVIATIONS

BIM	Building Information Modelling
BOD	Board of Directors
CEO	Chief Executive Officer
ENR	Engineering News Record
ESRCD	Economic and Strategic Research and Development Center
GDP	Gross Domestic Product
HR	Human Resources
ISM	Industrial Scientific Medical
IT	International Technology
R&D	Research and Development
SWOT	Strengths, Weaknesses, Opportunities, Threats
TANAP	Trans-Anatolian Natural Gas Pipeline
TAV	Tepe Akfen Joint Venture
TCA	Turkish Contractors Association
TOBB	Turkish Union of Chambers and Commodity Exchanges
UK	United Kingdom
US	United States of America
USD	United States Dollar

CHAPTER 1

INTRODUCTION

Family firms form a common way of doing business and research on family businesses increased substantially compared to other subjects in construction and business. Family firms are recognized for their economic importance and form more than 90% of business establishments around the world (Özcan 2015). Family businesses have unique characteristics as they are comprised of a combination of family and business concepts. This combination of family and business brings many advantages as well as some disadvantages.

A stunning fact about family businesses is they constitute 2/3 of all businesses around the world and create between 70% - 90% of global GDP annually (Davis 2016). Besides, 85% of start-up companies are established by family members around the world. In Europe, family businesses represent more than 1 trillion Euros in turnover and accounts for 40% of world economy (Walter 2009). In Middle East, 80% of companies are either family-run or family-controlled companies (Davis 2016). Furthermore, in United States, at least half of all companies are controlled and run by family members.

Unfortunately, such a big portion of world's economy source can't survive through many years and generations. The most commonly accentuated problem for family firms is the management of succession period and the continuity of the firm. It is stated that the survival rate of the family business through the second generation is 30% and it even falls dramatically as they move into third generation. This means that the management of this transition and an antiunionization process is the biggest challenge family businesses face.

In this study, a family business which is on an institutionalization period will be investigated and observed though a Case Study. Firm's precautions, steps, plans and preparations will be revealed. Perspectives of employees, managers, directors and family

members towards the institutionalization of the firm will be examined. Difficulties and necessities of this transition period will be pointed out and analyzed in detail.

Current problems of the Case Company will be examined based on managerial functions framework: decision-making, planning, organizing and controlling. The major problem will be determined and results and recommendations will be made to solve the major problem. A SWOT analysis will be made long term goals along with the strategies to achieve these goals will be determined.

As a result, Case Company's every step will be examined and recommendations will be made for other family companies which prepare to face such transition period. The importance and need of establishing a more professionalized and an efficient managerial system in order to secure a long life for family firms will be pointed out through studies.

1.1 Aim of Thesis

The main objective of the Case Study is to analyze a family firm which is in an institutionalization period and reveal its mistakes and false actions taken during its transition period. In addition, Case Company's critical success factors to manage the transition process successfully will also be determined through the exploratory study that will be made as a Case Study. SWOT analysis, questionnaires, observations, meetings and etc. will be used as exploratory tools to achieve the main objective of the study. For this purpose, I have utilized a Case Study approach in a family business to observe the mistakes along with the critical success factors when facing a transition period.

CHAPTER 2

THE FAMILY BUSINESS

2.1 Definition of a Family Business

Although the meaning of the term "family business" seems clear, there is still not an agreed definition for this term. First of all, in order to understand the definition of family business, it is necessary to understand the meaning of family. What is a family? According to Nihat Alayoglu; family is defined as a small union based on blood and marriage relations and comprises of the relationships among wife, husband, children and siblings." (Alayoglu 2003). Another explanation is given by Gersick et al. (1997) In his book, he explains families as the most compelling social institutions (Gersick et al. 1997). According to Gersick et al. (1997), our families makes us who we are.

As stated earlier there is not an agreed definition for the term "family business". There are several definitions and the only common thing in these definitions is the family involvement in the business. For example, as Lutfi Ozcan states; family business is a profit-oriented social institution which is founded by family relatives to produce goods and services (Ozcan 2015). Family business is unique compared to other institutions because it involves two highly distinctive topics; family and business. Arman Kırım defines family business as a corporate which have a majority of votes of a single family, or an institution in which a single family has the most influence in making the significant decisions of the firm (Kırım 2003).

Another interesting allegation about a family business comes from Renato Taguiri and John Davis. According to them, gathering of family members for the same purpose in an organization is sufficient to call that organization a family business (Taguiri and Davis

1992). According to Unal Bozkurt, a company is considered a family business when there is more than two family members in the management of the company and these members hold at least 10% shares of the company (Bozkurt 1997). From this definition, we can understand that a firm can be defined as a family firm if family members do exist in the company and hold a portion of shares. Moreover, if the management of the company is being controlled by the family members, it is also called a family business (Ozalp 1971). When we look in more detail to the definitions of family business, it is clear that the definitions are built up on family and business concepts. All in all, we can say that a family business is the overlap of the family system and the business system.

2.2 Entrepreneurship and Establishment of Family Businesses

When we look at family businesses around the world, we can see that there is a spirit of entrepreneurship in each one of them. One or more entrepreneurs come together for the same purpose and use their sources for the improvement of that purpose.

The strongest influence on the family business is usually in the hands of the founder and the entrepreneur of the company. Entrepreneur is a person who organizes and manages an enterprise, especially a business, usually with considerable initiative and risk (Nelson 2012). Entrepreneurs are creative people who are capable of planning, analyzing and using the source of capital productively and inspecting the results.

Alam lists some of entrepreneur's personal traits and their strengths as;

- Full determination and commitment
- Persistent problem solving
- Internal locus of control
- Low need for status and power
- High level of confidence
- Passionate about his or her business
- Good understanding of financial management
- Ability to sell and promote

- Risk-taking ability

These traits and strengths help entrepreneurs utilize potential opportunities by assessing financial resources, family support, environmental conditions and financial conditions (Alam 2011). If the outcome of the overall situation seems satisfying for the entrepreneur; the entrepreneur starts implementing his or her goals and transforms the opportunity into a real result. In doing so, an entrepreneur applies his or her managerial and financial abilities on any available resources.

According to the data presented in "Life cycles of the Family Business", 40% of startup businesses fail in the first year and 60% within two years and 90% fails by the end of tenth year (Gersick et al. 1997). Numbers clearly shows that the odds are against the success of entrepreneurs.

2.3 Types of Entrepreneurships

According to Karpuzoglu, there are four types of entrepreneurship which were evolved through time. Karpuzoglu states that these entrepreneurship types occurred due to changing economic, social and cultural conditions from industrial evolution to present time (Karpuzoglu 2002).

1. Individual Entrepreneurship

Decision making authority and power are in the hands of the owner and the single manager of the company. Division of labor and specialization does not occur in this type of entrepreneurship. Entrepreneur makes all the decisions about the organization and implements them. This type of entrepreneurship is highly common in start-up and first-generation family businesses.

2. Investor Entrepreneurship

Business growth brings the need of specialization and division of labor in the organization. As a result of this situation, some of the functions and divisions of the organization such as finance, marketing, research development, human resources, manufacturing are handed over to professional managers or other family members. However, in this type of entrepreneurship final decisions are still in the hands of the single owner/entrepreneur. This type of entrepreneurship is most common in family businesses that are ruled by siblings.

3. Administrative Entrepreneurship

In this type of entrepreneurship, experienced entrepreneurs are taking care of the business. However, as the entrepreneurs start getting old and come close to retirement, educated and professional managers start to replace them. As a result of this situation, the management is passed from entrepreneurs to a group of professionals. This type of entrepreneurship is most common in cousin consortium and complex-structured family businesses. To sum up, in administrative entrepreneurship, decision making authority is in the hands of a group of experts rather than a single person.

4. Informational Entrepreneurship

This type of entrepreneurship contains motivation, talent and information technology and is most common in long-lasting family businesses. In this type, topics such as education, talent, technology, research and development, experience and communication come into prominence. Entrepreneurships, investing in information technology and in-house trainings are examples of informational entrepreneurships.

2.4 Factors Leading Entrepreneurs to Establish Their Own Business

According to Azmi et al. (2012), the main success factors for entrepreneurs are leadership, managerial/technical, planning ability, marketing skills and educational levels (Azmi et al. 2012). In more detail, his study indicates that entrepreneurs need to have some level of

work experience, industry experience, planning skills and they need to act at the right time and in a convenient environment to establish their own business (Azmi et al. 2012).

Apart from that, there are several factors leading founders and entrepreneurs to establish their own business. In general, these reasons are usually related with their social, economic and cultural environment. Some of the reasons are;

- Proper economic conditions
- Finding suitably qualified partners,
- Seeing successful founders around themselves and aspiring on them
- Desire to be their own boss and will to have more decision-making power
- Conflicts among the other employees and managers on their previous workplaces
- Inadequate career progress and unsatisfying working conditions
- Desire to create a workplace for their children

Davis and Taguiri explains a study which was made among family businesses in United States. The aim of this study was to find out the main reasons of why entrepreneurs establish their own businesses. The study was made among 75 different entrepreneurs who are family business owners. The results of this study indicate that main reason of founding a family business is to create opportunities for their children (34%). The second biggest reason is to immortalize the family inheritance (%21). The third main reason with %15 is to hold the family together and the forth reason is to create assets and financial independence (10%). Other reasons are protecting the talented employees (6%), providing financial insurance for the family (%5) and be beneficial to the society (%1) (Taguiri and Davis 1992).

According to another study, there are five main goals of establishing a family business (Taguiri and Davis 1992).

1. To create a happier, dignified and a productive workplace for the employees,
2. To provide financial security for the owners,
3. To create family independence,
4. To produce high quality products and services for the customers,
5. To contribute to social progress and personnel development,

6. To support occupational safety.

On the other hand, entrepreneurs may face several boundaries and barriers to start up a business. The biggest barrier is the availability of financial resources to set up a business. Often, entrepreneurs use their personal savings and get financial help from their relatives to create the necessary funding financial source. If neither the family's financial resources are not adequate nor the family is unwilling to help financially, then most of the entrepreneurs try to find the funding source by taking out bank loans or searching for other investors who are willing to invest in the business.

2.5 The Three-Circle Model of Family Businesses

Gersick et al. (1997) came up with a model called "The Three-Circle Model". In this model they explained the family business system as three independent but overlapping subsystems: business, ownership and family (Gersick et al. 1997). This model helps to explain the sources of conflicts, reasons of people's different priorities and causes of contradictions emerging from different roles.

When generally examined, there are three different groups of people in family firms. Family members, employees and shareholders. For example, owners of the family business will be somewhere in the upper left circle and all employees of the firm will be in the upper right circle. In more detail, a shareholder who is not an employee and a family member belong to sector 1. A family member who is neither an employee nor an owner will be in the first sector 5 (Gersick et al. 1997)

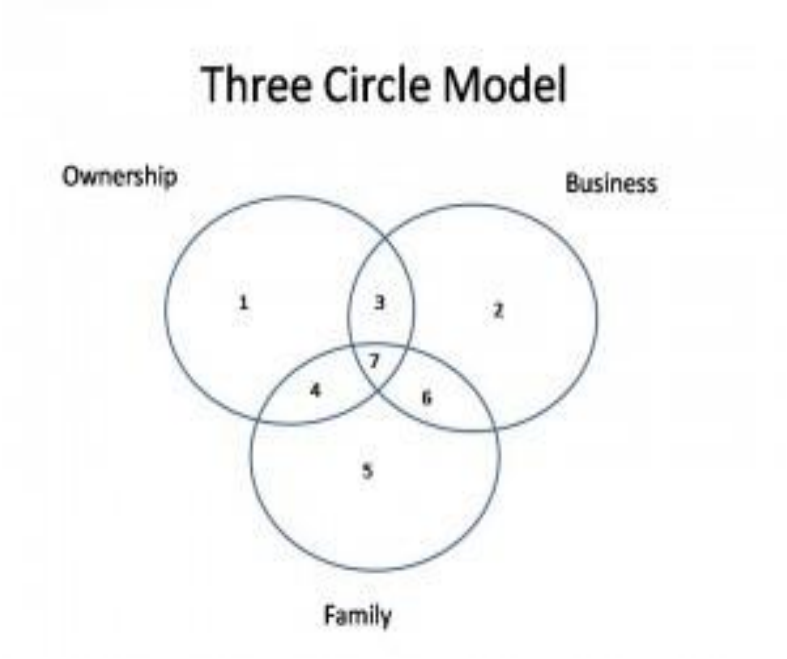

Figure 2.1 Three Circle Model (Gersick et al. 1997)

Individuals who have more than one connection in the business belong to one of the overlapping sectors. For example, an owner who is also a family member but not an employee would be located in sector 4, which is both inside the ownership and family circles. A family member who works in the company but does not hold a share would be placed in sector 6. Lastly, an owner who is a family member and an employee would be placed in the center of the model, sector 7 (Figure 2.1).

This model is also very convenient when trying to overcome complex situations within the business. For example, distribution of shares policy become understandable and much predictable when each participant's situation in the model is taken into account. A participant located at the 6th sector, a family member and an employee may want to suspend dividends for the good of his/her own (Figure 2.1, 1997).

On the other hand, an individual located in sector 4 who is a family member, an owner but not an employee may want to increase dividends, thinking that this situation is better for family members and a good return of investment for him/herself. These two individuals in both situations could be siblings and might have a strong emotional bound,

however in some occasions, for the sake of their own they might have different point of views. Therefore, the Three-Circle Model becomes very useful to understand the reasons of these individual's behaviors and claims.

The Three-Circle model also helps to see how individual's position in the model has an impact on their decisions and thoughts about have hiring policy of the company. For example, an individual in sector 5, a family member may want a family relative to be employed in the business, however a person in sector 1 (an owner but not a family member) could want a family member to be hired only if he or she is superior to all other non-family candidates.

These examples show how members from different circles of the model think differently because of their positions in the company (Gersick et al. 1997). To sum up, the main goal of this theory and research is to reveal the reasons of each individual's complex behaviors and decisions based on their positions on the model in several distinctive occasions.

2.6 The Three-Dimensional Development Model

Another model described in "Life Cycles of Family Business" is called "Three-Dimensional Development Model". The model helps to understand how the whole family business system changes as the members of the family and the company move across the sectors which was described in the Three-Circle Model. Transitions of individuals such as from family member/employee to family member/employee/owner have been studied among hundreds of business owning families in order to develop this model (Gersick et al. 1997).

There are three dimensions in this model; *the Ownership Developmental Dimension, the Family Developmental Dimension and the Business Developmental Dimension*. The first dimension, *Ownership Developmental Dimension* describes the development of ownership over time. According to the study, ownership of businesses is generally captured in three stages:

- Controlling Owner Companies

- Siblings Partnerships
- Cousin Consortium

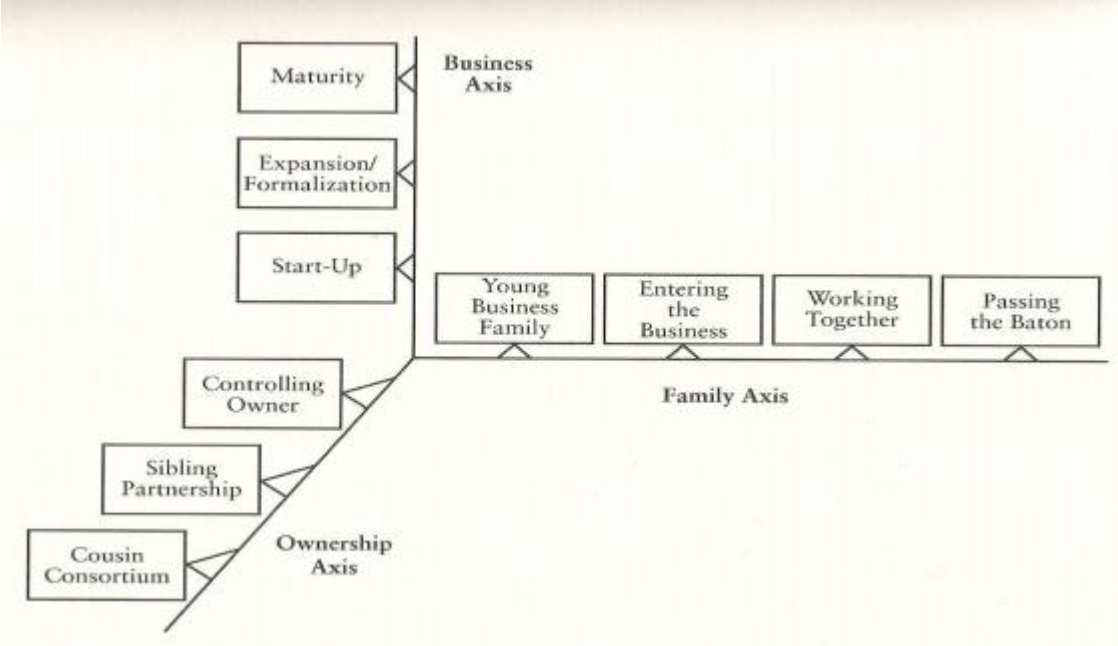

Figure 2.2 The Three-Dimensional Developmental Model (Gersick et al. 1997)

Researchers claim that, at any time most family businesses can be situated in one of these three stages during their life-cycles. For example, an owner/father can distribute the company's shares to his children. Before distributing the shares of the company among the siblings, the company would be placed in the first section of the ownership development dimension: Controlling Owner. However, after the share distribution happen, the family business would be situated at the second section of the model which is called Sibling Partnership. In Sibling Partnership model, siblings usually own different number of shares. Distribution of shares is mostly determined by their parents depending on sibling's success, interest and experience in the business (Figure 2.2).

In sibling partnership structure, siblings have to work in collaboration and preserve family values and try to carry the family business into a more successful enterprise. Siblings should work harmoniously and put aside their egos and support each other in all cases.

The appreciation among them is also important when one of them accomplish an important duty. In "Life Cycles of the Family Business" study, the spirit of this collaboration is best described as: "Your win is his win; his loss, your loss" (Gersick et al. 1997). Collaboration and team spirit are the main necessities to have strong management and to ensure continuity in family business organizations.

The 3rd stage of ownership development dimension is named the *Cousin Consortium* stage. In this stage, the ownership of the company is in the hands of the children of siblings. This is the most complex ownership model when compared to previous ones. According to the study, in most of family businesses which are in Cousin Consortium stage, there are ten or more cousins running the business. In their research "Life Cycle of the Family Business", authors claim that they have seen Cousin Consortium companies with hundreds of family shareholders (Gersick et al. 1997). For a family-owned company to reach this stage, it usually takes about at least three generations of ownership. Today, we still see several distinctive family business companies owning and operating by cousins.

To sum up, ownership concept in family business usually starts with a single owner to a few or several owners and shareholders and then on to a deeper distribution of ownership (Gersick et al. 1997). According to the research 75% of all family business companies in United States are owned by a single person or a married couple. About 20% of family businesses are owned by two or more siblings and the rest of the family business firms are owned by cousins (Gersick et al. 1997).

Model's second dimension, *Family Developmental Dimension*, describes the development of the family over time (Gersick et al. 1997). This dimension is different from other family life cycle theories as it is specifically about business families (Gersick et al. 1997). In other family life-cycle theories, the main focus and concentration is mainly decreases when the children of the family pass their twenties. The main reason for that is because the communication and contact between the parents and them declines. However, in business families, the communication ratio remains high at all times between the family members who are active in the business. In other words, members in business families have long-life relationships among them throughout their lives (Gersick et al. 1997).

This dimension covers the development of the family, through several issues such as marriage, divorce, death, family roles and etc. In this study, the researchers have worked with various families to understand the main stages in this model. Most of the families respond rapidly to the concept of change over time. After analyzing hundreds of families, the author decides to sum up the stages into four different sectors:

- Young Business Family
- Entering the Business
- Working Together
- Passing the Baton

The first stage, Young Business Family, includes marital partnership of the family in the process of deciding whether to have children or not and to raise them. This stage is usually the longest one compared to other stages and includes several important occasions such as marriage, settling down, birth of the children and the early education of the children. During this time, parents are usually under their forties and if they have children they are under their eighteens. Raising children and creating a workable marriage enterprise are the two main challenges of this stage.

The second stage of family developmental dimension is called Entering the Business. In this stage, each generation is about 15 years older than in the first stage of this dimension. This is the stage where the mother and the father of the family raise their kids and nurture and train them for the business. Young family members make up their minds about entering the business or not. There are also some crucial issues in this stage. These challenges are managing the midlife transition and separation of the younger generation (Gersick et al. 1997). Children might decide to leave home and separate themselves from their parents. In this case, parents fear that their children might never come up and be less interested about entering the family business. Therefore, keeping children's motivation and eagerness high are two main obligations of parents in this stage of Family Developmental Dimension.

The third stage is called Working Together stage. In this stage, the parents are at their fifties and the younger generation is at their twenties and thirties. In this stage, the most

crucial thing for the parents is to handle complex relations among siblings, cousins and children of different ages. The capacity of the business is increasing due to the increased number of family members involved in the business. It is essential to adopt change and to continue company's profitability during Working Together stage. In this stage, two or more generations are fully involved in the family business, therefore productive conflict management, cooperation, team work and managing a strong relationship among the children are necessary for the company.

Researchers uses the term *network of families* to describe this stage. It is a great way of explaining this stage considering that the younger generation marries, have kids, builds its own social network and separates itself from the older generation. It is necessary to build strong relationships with each generation to assure the quality of the family remains high. In this case, communication is the most important thing to keep the family healthy.

The final stage of family developmental dimension is Passing the Baton stage. In this stage the transition is inevitable for the family business. Powerful changes do happen in this stage, such as the retirement of senior family members and the younger generation to obtain more responsibilities in the business (Gersick et al. 1997). In this stage, older generation is at their sixties or more and there are between two to four generation working in the family business.

The main issues and conflicts in Passing the Baton stage are generational transfer of family ownership/leadership and retirement of the first generation from the business. In most cases, change happens unexpectedly and unplanned. For instance, the manager and the grandfather of the company might have a heart attack, unexpected illness or an accident. The consequence of these incidents slow down and finish the senior management's control over the business and leadership is mandatorily transferred to the next generation in line (Gersick et al. 1997). The main courses of action here is to select the most appropriate successor or successors and to decide whether the structure of the company will change or stay the same as the previous one.

Authors state that these stages can vary as there are numerous different family business structures. Furthermore, as family businesses become more complex, there will be more

than one family life-cycle going on at the same time (Gersick et al. 1997). For example, some family businesses which have reached to Consortium stage, there may be family groups in a single-family business that are in some or all type of these family stages.

The final dimension of the model, *Business Developmental Dimension*, explains the development of the business over time. In creating this model, researchers concentrate on two important indicators. The first indicator is growth. There are several ways to measure growth in family firms such as number of employees, sales volume, market share, turnover and etc. The other measurement to create the stages of the model is the complexity of the family business. This indicator mainly focuses on the distinctions among the organizational structures of family firms. For example, companies in the early stages usually build up on simple structures and older companies are built on more complex structures as they grow with more independent divisions (Gersick et al. 1997).

In this dimension, researchers came up with three different stages based on the indicators mentioned in the previous section - growth and complexity:

- Start Up
- Expansion/Formalization
- Maturity

The first stage is called the Start Up stage. It includes the founding of the business and the early years of survival of the company. In this stage, the owner/manager of the company is the ultimate decision maker in most of the situations. The organizational structure of the company is highly simple and, in most cases, the family business is focused on a single product or service. In this stage it is important for a startup company to establish a lower risk level than it could survive. In this stage, many start-up firms are established with a dream, but before overcommitting this dream, it is essential to think through the constraints of reality and potential risks and to perform a risk analysis. Otherwise it is inevitable to have a short working life for that particular firm (Gersick et al. 1997).

The second stage business developmental dimension is called Expansion/Formalization stage. This stage describes the expansion and stabilization of family businesses over time. In this stage the organizational structure of the company becomes more formalized and

complex as the business itself grows. It is the crucial time when family members and/or the shareholders of the company shape and stabilize the business. In this stage, family business can face both positive and negative consequences depending on the strategy they follow and the planning they make for their business (Gersick et al. 1997).

Last but not least, the third and the final stage of the Business Developmental Dimension is called the Maturity Stage. In this stage, the expectations for growing the business are very moderate and the process of the business is automatized and the business is tried to be stabilized by the shareholders. For the family company, there are two different outcomes in Maturity Stage. During this stage, the business either recycle and renew itself or ends its operations (Gersick et al. 1997).

Another important point in Business Developmental Dimension is the moving pace of a firm through the stages. According to researchers, there are internal and external factors that speed up or slow down the transition of a family firm among the stages. Main external factors such as market and industry conditions, governmental policies and the economic fluctuations of the country can affect the firm's transition time though these stages. There also important internal factors that control business development. Ownership dimension and decisions of company managers strongly affect the firm's development and maturity period.

As a result, main goals of these theories and models are to provide a predictable and a clear framework for the development of family businesses over time. These stages help analyzers to understand the dynamics of any family firm. It is vital to understand where the family firm is placed in these models in order to understand the overall situation and the status of the firm.

2.7 Corporate Culture and Its Importance for Family Firms

A culture of a family business is a set of tools holding the beliefs, ethics, norms and tangible and intangible values of the family and the organization through its cultural and historical development process (Ozcan 2015). Strong family bonds and family values,

confidence to achieve success and mutual respect among the family members help the family to achieve a successful business.

Corporate culture and company values are main factors of long-lasting family businesses around the world. Protecting the norms and the traditions of the company helps keeping the business alive for a long period of time. In family businesses, the culture of the company is usually affected by the culture of the family and the board of directors of the firm. What type of cultures family firms adopt? The next chapter covers Dyer's research on most common types of family business cultures and their characteristics.

2.7.1 Dyer's Types of Cultures

In his research, Dyer and his colleagues analyzed more than forty family businesses. Most of the analysis of these businesses comes from several sources such as; background of the firms, annual

reports, meetings with board of directors and interview with the upper management and family members. From these analysis, Dyer and his researchers discovered the types of cultures of these family businesses. As it is shown in Figure 2.3 according to Dyer and his research, there are a total of four different cultural types in family firms; Paternalistic culture, Laissez-faire culture, Participative culture and Professional culture (Dyer 1986). These cultural types usually occur from actions and decisions of the owners and the leaders of family firms.

Paternalistic culture is the most common pattern in family businesses. There is strong hierarchy and authority in relationships among family members, managers and employees. Managers and leaders who are family members are the decision makers and have the most power in the organization (Dyer 1986). Employees are expected to carry out all the orders and decisions without any question. Moreover, there is formal dress code in firms which have paternalistic culture. In most cases, *paternalistic culture* works with no trouble when the leader of the firm has the necessary knowledge about the company

and experience. The significant decisions are made from a single source; therefore, there is little uncertainties and disorders in this type of cultural business.

The second pattern, *laissez-faire culture* is similar to *paternalistic culture*. In laissez-faire culture, the main difference is the employees seem to be more trustworthy for the upper level managers and family members. Sometimes, employees are given responsibility and allowed to make important decisions.

Table 2.1 Cultural Patterns of the Family Business (Dyer, 1986)

	Paternalistic	*Laissez-Faire*	*Participative*	*Professional*
Nature of relationships	Lineal (hierarchical)	Lineal	Collateral (group orientation)	Individualistic
Nature of human nature	People are basically untrustworthy	People are good and trustworthy	People are good and trustworthy	People are neither good nor evil
Nature of truth	Truth resides in the founder family	Truth resides in the founder/family although outsiders are given autonomy	Truth is found in group decision making/ participation	Truth is found in professional rules of conduct
Orientation toward the environment	Proactive stance	Harmonizing/proactive stance	Harmonizing/proactive stance	Reactive/proactive stance
Universalism/ particularism	Particularistic	Particularistic	Universalistic	Universalistic
Nature of human activity	Doing orientation	Doing orientation	Being-in-becoming orientation	Doing orientation
Time	Present or past orientation	Present or past orientation	Present or future orientation	Present orientation

However, the ultimate power is still at the hands of family members and managers. In this cultural pattern, there is less hierarchy and authority compared to paternalistic pattern. Thus, lower level managers sometimes call the family members by their first name. Firms adapting to laissez-faire culture are more likely to grow and expand its services than firms adapting to paternalistic culture. The main reason of that is because employees have a great deal of responsibility and use their initiatives and abilities to expand the company's services (Dyer 1986).

The third pattern, *participative culture* is the least common one among family firms. There is almost no authority and hierarchy in family firms and the firm is group oriented. Employees are also seemed trustworthy by managers and family members and they have responsibility and freedom to make decisions for the company. Personal improvement is considered to be highly important in these types of businesses. There are several advantages for family firms which adopt this culture. Some of them are, strong commitment and morale of the employees, ability to respond quickly to the changing environment and technology, ability to innovate and so forth. Furthermore, According to Dyer's research there are even no job descriptions in some firms adopting participative culture (Dyer 1986). The main disadvantage in this type of culture is the need to have more time to make the participative decisions. In some cases, severe decisions can be postponed due to having no consensus.

Last but not least, the final pattern, *professional culture* is usually adopted by firms which are being run by outsiders and non-family managers. In some family-owned firms adopted this culture, the ownership and the management of the business are passed over to non-family members in time. Competition among non-family employees and managers are happen to be seen often in these firms. In the one hand, the main advantage in this culture is professional managers and outsiders can sometimes bring new ideas and techniques into the firm's management and help the business to run more efficiently. On the other hand, there can be sometimes unhealthy competition, low commitment and morale among employees and managers when they become alienated in the company (Dyer, 1986).

To sum up, Dyer claims that most of the family organizations adopt to one of these four cultural patterns. However, not all of the family businesses may fit exactly into these cultural patterns and Dyer and his researchers tried to categorize the family firms they analyzed into these four patterns (Dyer 1986). As it was mentioned earlier, paternalistic culture is the most common culture in first generation family firms that Dyer and his researchers studied. About 80 percent of the first-generation firms in their study had a paternalistic culture. Firms adopted participative and laissez faire cultures were each 10 percent, and only a single first-generation firm adopted professional culture.

In second or third generation family firms, more than 60 percent of the paternalistic firms experienced culture change and most of them adopted professional culture (Dyer 1986). From these percentages, we can say that family firms which transfer ownership to the next generation successfully have shifted from paternalistic culture to the other three patterns. In conclusion, family firm cultures usually change as the new generation takes over the management.

2.7.2 Changing the Culture in a Family Business

Family businesses often must change their own behaviors, traditions and norms in order to survive and adapt the changing environment (Gersick et al. 1997). In most cases the leaders and the family members of the business decide to change when there is a major crisis. However, Dyer claims that it is usually too late when the leader decides to change during crisis. That is why many firms fail. However according to the article, there are some actions managers and family members can take to start cultural change of their firms. These activities are; analyzing the culture and planning for change, changing the assumptions of the leaders or developing new leadership through the use of hybrids and outsiders (Dyer 1986).

According to Dyer, the first method for changing the culture in a family business is to *make analysis and to plan for change*. In order to do that, first the leader and the manager of the firm has to create a team involving outside advisors and members from the company. After the team is being built, the members of the team start to make interviews with the employees of the firm. The first goal here is to understand the rules, norms and traditions of the company in order to understand the culture of the firm. If there is need to change, the team start to develop action plans to change the culture of the firm (Dyer 1986).

Another method to change the culture is *changing the leader's assumptions*. In this method, changing the culture of the firm starts with changing the assumptions and behaviors of the leader. Dyer implies that leaders of family businesses create the culture;

therefore, changing the culture is related with changing the leader's behaviors and expectations. There are several ways of changing the leader's assumptions such as; the leader can join other company's board of director's meetings and observe the problems to gain insight of their own, leaders can use questionnaires, surveys and interviews to gather feedback about themselves. Thirdly, leader can hire outside consultants to understand how their behavior affects their business. Finally, therapy and counseling are also considered as other alternatives for leaders to use to change their behaviors (Dyer 1986).

Last but not least, *change through hybrids and outsiders* is the final method to change the culture of the firm. This method is usually used when the leader and the manager of the family firm does not want to and is not able to change his or her own assumptions. If the culture has to be changed in a family firm, this method is used to replace the upper level management with outsiders. This method is usually preferred when there is an urgent issue and crisis in the company. However, there is a big disadvantage of this method. Long term employees could be demoralized and lose their passion about the firm when they see outsiders replacing top positions in the firm (Dyer 1986).

As a result, from Dyer's research and study it is clear that changing the culture of the company is not easy and takes time. However, sometimes change is inevitable and required for companies for the continuity of the business and the family.

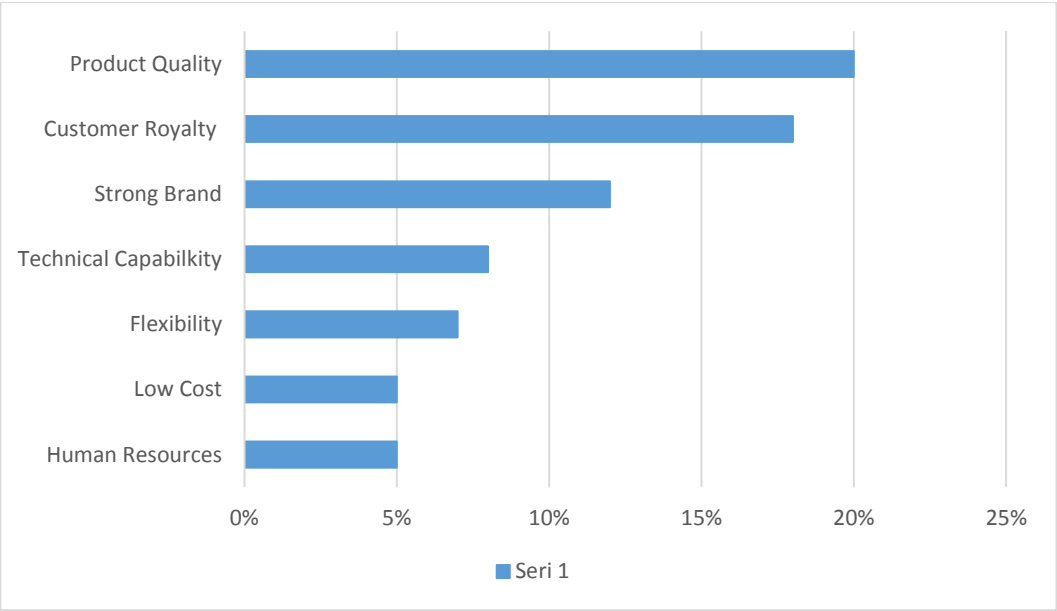

Figure 2.4 Competitive Traits of Family Businesses (PriewaterhouseCoopers, 2007)

2.8 Continuity of Family Businesses

According to the authors of "Life Cycles of Family Business", time is the most important thing for family businesses. The structure of the company, distribution of shares and the family member's involvement frequently change in time. In addition, key managers come and go and the younger generation of the business start to have more responsibilities in time. Crucial element here is to adopt change and to keep up with current technology and developments. This situation is exactly the same for families. In a family, deaths and divorces occur and new members may be added to the family. These additions and deductions changes the family structure in several important ways (Gersick et al. 1997).

Several surveys done on survival rates of family businesses. When we look at United Kingdom and United States, survival rates up to 2nd generation are below 30% (PricewaterhouseCoopers 2007). Family firms in UK are more stable with 26% survival rate up to 2nd generation family firms in US with 20% survival rate. When we look at their continuity up to 3rd generation, the ratios fall dramatically; 2.6% for UK and 3.4% for US (PricewaterhouseCoopers 2007).

Another study examined the key factors for long term survival of family businesses in UK and US. Product quality is considered to be the most important factor for long term survival. 20% of the respondents have picked product quality to be the main factor to achieve long term continuity (PricewaterhouseCoopers 2007). Other key factors and most competitive traits to ensure long term survival are customer royalty, company brand, technical capability of the company, flexibility, low cost of products and services, and human resources (Figure 2.5).

As it was mentioned earlier in this case study, time is significant for family businesses and without continuity, the business can't survive. A research which was made in Central Ontario, Canada explains the significance of learning process for continuity in order to continue the family business across generations. In this study, researchers examined and interviewed 18 respondents who were individuals and family members from small to medium-sized family businesses in Ontario (Konopaski 2015).

The main goal of Konopaski's research was to find out how family members learn about continuity. According to the results of this study, ensuring continuity in family businesses is highly depend on strong family bonds, constant engagement between and across generations and the appropriate social situation of family members for learning (Konopaski 2015).

This study mainly shows learning for continuity is a social process that happens in everyday practice and through participation between family members (Konopaski 2015). Shared experiences among family members help younger generation learning about how the business operates, company's rules, norms and commitments, ethics and obligations and how company is managed by upper level management and family members. In other words, as Konopaski states; "Learning is an interactive process between family members and their social context". From this quote, we can say that family bonds and strong relations among family members help unexperienced generation in understanding how business operates by following their pacemakers who run the business.

In conclusion, close family relationships can affect the business' continuity in a positive way. For instance, if a family member from a younger generation starts to participate from

an early age in the business, he or she can contribute to his/her learning by following and observing the more experienced members and track their daily routines to improve themselves. Improvement and learning is critical for younger generation because they are the key players for the continuity of family businesses.

Firm based investments are also another crucial topic for the continuity and the institutionalization of family businesses. According to Barclays Wealth, 66% of family firms invest in customer feedback, 65% of them invest in human resources and 64% of them invest in marketing activities. Investments in finance, IT, research and development, supply chain and web-enablement are also highly common among family firms.

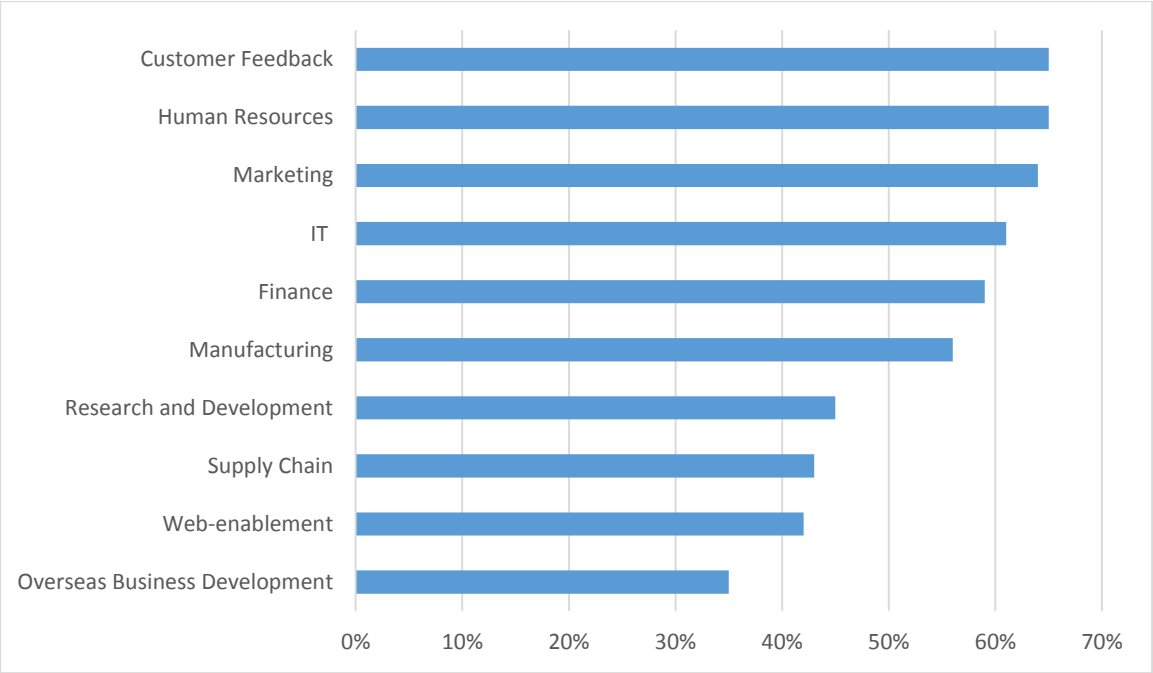

Figure 2.5 Firm Based Investments (Barclays Wealth 2010)

2.9 Successful and Long-Lasting Family Businesses

It is commonly known that most family firms are not able to survive through such generations. However, it doesn't necessarily mean that there aren't any family firms that have successfully survived through many generations. The real question to ask here is how

they managed to survive through such years and what qualities and characteristics they have in common. Here are some of the qualities of these successful family firms (Findikci 2005);

- Long-lasting family firms always have an effective leader. These leaders have certain personal characteristics in common such as; their ability to build good relationships, communication skills, motivation, forward looking, open-minded and etc.
- Having other family members who follow the leader, make up the deficiencies and effectively involve in the business increase the firm's lifetime. Especially during the first years of the company, creating an effective team to run the company plays an important role in constituting a durable establishment.
- In long-lasting family firms, family and business unconditionally support each other.
- Successful and long-lasting family firms always grow and expand their services. According to several owners of family firms, continuous business growth is essential for long-term survival.
- Institutionalization is a must for successful and long-lasting family firms. Family firms must be institutionalized when the proper time comes. The main goal of institutionalization is to run the entire operation within the scope of certain rules and regulations.
- Financial management is another crucial topic for successful and long-lasting family firms. Leaders of successful family firms are good at financials and know how to evaluate the money and make profitable investments.
- In successful family firms, family business owners seek to manage not only the assets and performance of the company, but also the values of the family. These values are passed on through generation to generation and maintain the continuity of the business and the culture of the company.
- In successful family firms, there is a consumption discipline in both family and company. Without an expenditure plan, it is almost impossible to maintain a profit-oriented business.

2.10 Third and Fourth Generation Companies– Opportunity Issues for Family Members

Family businesses that reached to a certain level of complexity can generate several opportunities for the members of the family. Although high complexity is difficult to manage, family members can obtain certain financial and career advantages and opportunities for themselves (Gersick et al. 1997). Some of these opportunities are; a position in the board of directors, more dividends and shares of the company, upper level management roles in the company, compensation and etc. Therefore, even though the business gets more complex, family members can still achieve high benefits if they make use of these opportunities.

However, in some cases family complexity exceeds business complexity. In this situation family members face with less opportunities and the competition among the members increases. In these situations, family firms need to assess the degree of opportunity for the family members and rethink its growth and complexity rate to generate more opportunities for the family members.

2.11 Succession in Family Firms

In the first place, family firms are established as small businesses. They usually start with a single controlling owner or with two or more siblings. As the load of work and the complexity increases in a family firm, other family members, shareholders, outsiders and managers start working for the company. Moreover, as the family firms grow and become more complex, founders start to face several issues such as competition, quality, expenditures, management, human resources and marketing. Founders think that, they need to perform modern management techniques and to institutionalize the organization in order to overcome these issues. Furthermore, they understand that the company need to

improve, change and renovate regularly in order to sustain its continuity and to meet its customer's satisfactions and requirements.

One of the most agonizing experiences that family businesses faces is the moving from one generation of top management to the next (Barnes and Simon 2000). Succession period is the selection of the most suitable candidate who is able to run the entire company in the future. It is a process, and proper management of this process is vital for family firms' future. In this highly competitive environment, planning and executing a successful transition process is one of the main responsibilities of managers and founders of family businesses. This transition process is also necessary for healthier growth and continuity of the firm. Therefore, understanding the transition process, executing the transition process at the right time and not delaying it and determining the conditions to sustain continuity are highly important in family businesses.

For the company to grow it is essential to remove the reins from the old man's hands (Barnes and Simon 2000). Succession is the most significant test in family businesses. The choice of the right successors, passing the company in a profitable situation and the firm's continuity are the primary issues in family businesses. Succession and passing the leadership/management is a long-term process and takes time. Although the leader or the manager of the company suffer from a sudden illness and become unable to work any longer, the succession period still needs to be done in time and carefully, considering the preparation and adjustment time of successors (Gersick et al. 1997).

2.12 Factors Affecting Successful Transition

There are several factors affecting a successful transition period in family firms. Wendy C. Handler made a qualitative analysis study about this topic and conducted with 32 next generation family members from 32 different companies. Handler came up with two interpersonal relationships which affect the process of succession. These relationships are the intergenerational relationship between current and next-generation family members

and the intergenerational relationship between siblings or other relatives of the family (Handler 1991).

First critical relationship of the next generation family member is his or her relationship with the firm's founder or owner. The critical factor in succession period is mutual respect and understanding between successors and older generation family members. There has to be good relationship which includes trust, support, communication and feedback between them both inside and outside of the business (Handler 1991).

The development of mutual respect and understanding can't be developed right away. It is an evolutionary period which begins at home, prior to succession process and the involvement of the younger generation in the business. Mutual respect can only be built over time. It can happen when next generation family members have confidence in themselves and show others that he or she is trustworthy. At the same time, the founder or the owner should be supportive of the next generation by helping them gaining their confidence.

Second critical factor conducted from the research is the relationships among the siblings. Handler states that rivalry is common among siblings and if it does not manage properly in the family business it may bring negative results for the company. Competitive tensions may arise when there are several siblings and successor candidates.

According to Ward, this competitive environment can be healthy and beneficial for the family business when selecting the most appropriate successor (Ward 1987). He claims that having more candidates increase the ratio of finding the most suitable future leader of the company than having a single next generation family member as there will a lot of pressure and tension on a single candidate.

According to several researches, there are other factors affecting a successful transition in family businesses. Some of these factors are: the founder's readiness to leave, choice of a successor and planning for succession.

2.12.1 Founder's Readiness to Leave

In family businesses, the founder's unwillingness to transfer his responsibilities and power is one of the main problems. In institutionalized firms, CEO and manager succession is also institutionalized. In most cases, CEO is aware of him or her retirement period and prepare accordingly. However, the reluctance of the founder to leave the business is a problem which is seen in many family-owned companies.

The founder does not want to transfer his power to the next generation. There are several reasons for the difficulty in replacing the founder. One of the reasons is the founder's distrust in the next generation's abilities to run the company. Another reason is, the founder think of retirement as accepting his own death. Thirdly, transferring the business and passing the power to the next generation mean losing everything associated with power. The founder never finds his children to be grown enough to have the power to run the business.

Another reason which makes it difficult for the founder to leave the business is the dilemma of what he will do after retirement. A founder dedicate himself to the business in his entire life so he may find himself in a state of emptiness after his retirement. When transferring power in the family business, the founder must believe that the business will survive even after his death. Giving up control will be easy for the founder if he believes that the company will be run successfully after he steps down.

2.12.2 Choice of a Successor

The choice of an appropriate successor usually depends on the family decision. In most cases, the family has two options when selecting a successor. They either select a family member to run the company or appoint a professional who is not a family member. The family always wants the business to stay family-owned and family managed.

When the successor is selected from the family, it means that the family name will continue during the selected successor's leadership period. However, there are some

situations where available family members are not suitable and unwilling to fill the leadership position. In this case, the family try to fill that position with an outsider who is suitable and capable for the position.

According to Christman et al (1998), selection of a successor is made through birth order, gender, in law and blood relation. Usually the main determinant of a successor comes with birth order. The older sibling is physically more developed, more experienced and knowledgeable than younger siblings. Even if the younger brother is more suitable and have the necessary qualities, the settled impression can't be changed.

Daughters are not usually preferred in the succession process. Business owners and founders perceive their sons to take over the business and consider them for managerial roles in the company. The main reason of that is because they change surnames when they get married. Therefore, the transfer of the business to the daughter is not entirely what the owner wants for the continuation of the family name and the family business. According to a study conducted by Caliskan, 90.2% of family business leaders in Turkey are men and only 9.8% of them are woman (Caliskan 2008).

2.12.3 Planning for Succession

Succession and passing the leadership/management is a long-term process and takes time and has to be carefully planned beforehand. Although the leader or the manager of the company suffer from a sudden illness and become unable to work any longer, the succession period still needs to be done in time and carefully (Gersick et al. 1997).

The succession planning includes several decisions. Some of these decisions are selection of the most appropriate successor, timing of the replacement process, timing of transfer of ownership and power, compensation of other siblings, income distribution and wage policy after the transition period and so forth (Kimhi 1997).

According to Kimhi, planning for a succession process should start about 7-8 year prior to the transition (Kimhi 1997). The training and development of the successor is also an

important part of this transition process. This training should also start several years beforehand.

In several family firms, future successors enter to the business at their very early ages and gain experience and knowledge about the related business. In other firms, parents allow their children to gain knowledge outside the company by working in other firms. They believe that working in other companies help their children to gain self-confidence which may be hard to get in the family business.

2.12.4 Attributes of Successors in Family Business

Prominent family business researchers James Chrisman, Jess Chua and Pramodita Sharma made a study in Canada among several Canadian family firms. The main goal of the study was to determine the desirable attributes and qualities of successors in family businesses (Chrisman, 1998). In their extensive review of literature, several successor attributes have been identified and categorized from the interviews made with family members of these organizations. As a result, the researchers grouped these attributes is six different categories;

The first group is called *relationship with incumbent* and contains three different attributes; personal relationship with CEO, age of the successor and compatibility of goals with that of the CEO. According to most interviewees, personal relationship with the successor and the incumbent is an important determinant for a successful transition (Christman et al. 1998). The second category is named relationships with other family members. According to the research, a successful successor has to gain other family members trust, respect and support. In this group, the important attributes are trust of family members and ability to get along with family members.

Third group is named *family standing* and include four determinants; birth order, gender, in law and blood relation. Usually the main determinant of a successor comes with birth order. Fourth group is *competence*. According to Christman et al (1998), a business leader has to have competence in running the business (Christman et al. 1998). Some

determinants to measure competence of successors are; experience in the related business, education, financial, managerial and technical skills, decision-making abilities and etc.

Fifth category is *personality traits*. Some important personality traits of successors are creativity, intelligence, self-confidence and willingness to take risk. Last but not least, the final category is called *current involvement with the family business*. The time and quality of the successor's participation in the company is considered to be very important. The determinants in this category are; current ownership share and commitment to business (Christman et al. 1998).

According to the interviewees and these categories, it was found that integrity and commitment to business were the most important determinants of the successors. Determinants in family standings category such as; birth order and gender found to be the least important attributes when determining the successors. Therefore, from this study we can understand that successor's qualities and personal traits are more important than their gender, birth order and bloodline (Christman et al. 1998).

Successors experience, education and managerial skills are also found to be other important attributes in this study. Moreover, especially in more complex businesses such as cousin consortiums, commitment to business, intelligence, trust and respect of family members and employees and interpersonal skills have also considered to be essential attributes that should be found on successors (Christman et al. 1998).

2.12.5 A Succession Story

A great example of a successful succession process had taken place in a family owned company called Lombardi Enterprises. Lombardi Enterprises was founded by Paul Lombardi who is originally from Italy. He moved to United States and founded Lombardi Foods and ruled the company as a controlling owner for more than twenty-five years. When he became eighty-two years old, he decided to retire. During that time the company was making more than $900 million revenue (Gersick et al. 1997).

Paul Lombardi had five children, four sons and a daughter. All of them had experience working in the company when Paul decided to retire and leave the company to his children. When Paul was the single owner of the company, he was making all of the decisions and had all the authority. However, after his children take control of the company, the decisions started to be made with consensus, they had equal shares and have equal power in the company. The sibling partnership method also worked fine in the company as the revenue of the company grew.

However, for Lombardi enterprises, making a succession plan would not be that simple when the third generation starts to enter into the business. Some of the siblings will have more children than the others and cousins vary much more widely in age than did siblings. Thus, the main question to ask will be how shares will be divided among the family members? If each sibling divides his or her share equally among the offspring, some cousins will end up having more shares than others. How will this situation affect the balance of power in the next generation?

For this reason, we can say that as the family grows and becomes more complex, succession planning gets more complex and difficult as well. According to Gersick et al. (1997), Lombardi family would have two options when passing the management to their children. The first option is to return to a controlling owner form. In this form, one of the families would have a controlling share of stock and manage the whole company. This alternative could be selected if one of the cousins proves that he or she is a qualified leader. The other alternative would be to make the company more professionalized and hire outsiders to run the company and take over the managerial positions.

This example illustrates that as the family grows and the business gets more complex, making a successful succession plan becomes more challenging. According to Gersick et al. (1997), future strategic decisions should not be made in a hurry. Older generation family members and upper level managers of the company should develop an action plan considering all the aspects and circumstances before making crucial decisions about the company's future strategic direction and ownership structure. They also need to simplify the most suitable structure for the company and regularly evaluate whether the skills, abilities and commitment of the new generation are sufficient enough to make that

structure work (Gersick et al. 1997). This view is supported by the fact that companies who can make those transitions successfully are more likely to survive through many others.

2.13 The Problems of the Family Business

The overlap of the family and business is the main source of many problems and conflicts. Some of the main problems of family businesses are summarized in the following section.

2.13.1 Competition Among the Family Members

Interfamilial conflicts may arise among the family members who spend most of their times together in and outside the company. Conflicts may occur among the family members due to several issues such as; different perspectives, competition, role conflicts, successor selection, unequal load of work, unfairness in salary and etc.

2.13.2 Role Conflicts

Role patterns of family members should not be reflected to their role patterns inside the company. Business requires family members to assume different roles than they do in their real lives. These kinds of situations cause a possible source of role conflict for the members of the family (Özcan 2015).

2.13.3 Weaknesses Originating from Corporate Culture

As mentioned earlier in the case study, founder and its culture is a strong influence on the corporate culture. The founder establishes the values, regulations and traditions of the company. These values, regulations and traditions form the company's formal and informal structural model. This model includes status and reward system of the company, recruitment system, promotion and succession criteria, procedures, systems management

and so forth. In time, these traditions and values of the company become old fashioned as the leader/founder grows old. In most cases, founders refuse to change thus family firms can't adopt to changing conditions of competition and technology. Family firms need major transitions in order to adopt to changing environment and corporate culture is the major obstacle in achieving that.

2.13.4 Succession Issues

As previously mentioned, one of the most agonizing experiences that family businesses faces is the moving from one generation of top management to the next (Barnes and Simon 2000). Transition period could be painful and may bring issues when it is not done systematically. In this period, unwillingness of the leader's handing over the management and the successor's not taking over it is the major problem in the continuity of the business. In addition, passing the management and selection of the most suitable candidate is another major problem in family businesses. Therefore, this transition period needs to be done systematically and carefully, considering all the consequences of this process.

2.13.5 Nepotism

Family business is the overlap of the two systems; family and business. Therefore, it is usual that the goals of these two systems conflicts. This issue may bring severe problems for the family firm. The most common problem is nepotism. In family business, nepotism is defined as unfair treatment for the family members (Oger, 2014).

For example, family members may get hired regardless of their ability, experience and education or they be treated better than non-family members and have better working conditions. Similarly, family members have more chances for promotion and to advance to top management than non-family members. This causes non-family members to see no future in the family firm and to lose their motivation for their work.

2.13.6 Conservative Behavior of the Founders

Nowadays, developed countries owe their success to innovative companies which improve new products, services and technologies. Whereas, family business are slow in growth compared to the non-family businesses in the related sector because most of the owners of family firms that are not institutionalized enough are unwilling to innovations (Christman et al. 1998). They act more conservative and are afraid of taking risks because they think that they may lose control of the firm's operations. Therefore, these owners turn down opportunities for growth. As a result, these family firms turn into a more conservative and weak companies instead of becoming more flexible and a growing institution.

2.13.7 Financial Related Weaknesses

Major financial related weaknesses family businesses face is the family's insufficient capital and company's strict borrowing policy. These problems limit family firms' growth rate. Even though family firm has a positive attitude toward borrowing and receiving loan, most of the institutions reject providing high cost loan for the family firm due to the family's insufficient assets (Alayoglu 2003).

Firm-based problems are listed as percentages based on the data gathered from Pricewaterhouse Coopers along with Koutsoukis and O'Sullivan's research. According to the graph, firm structure and system revision is considered to be the highest problem for family businesses with 33%. Generating funds, cost control, resource allocation, employment of professionals, family affairs are considered to be other important problems for family businesses (Figure 2.6).

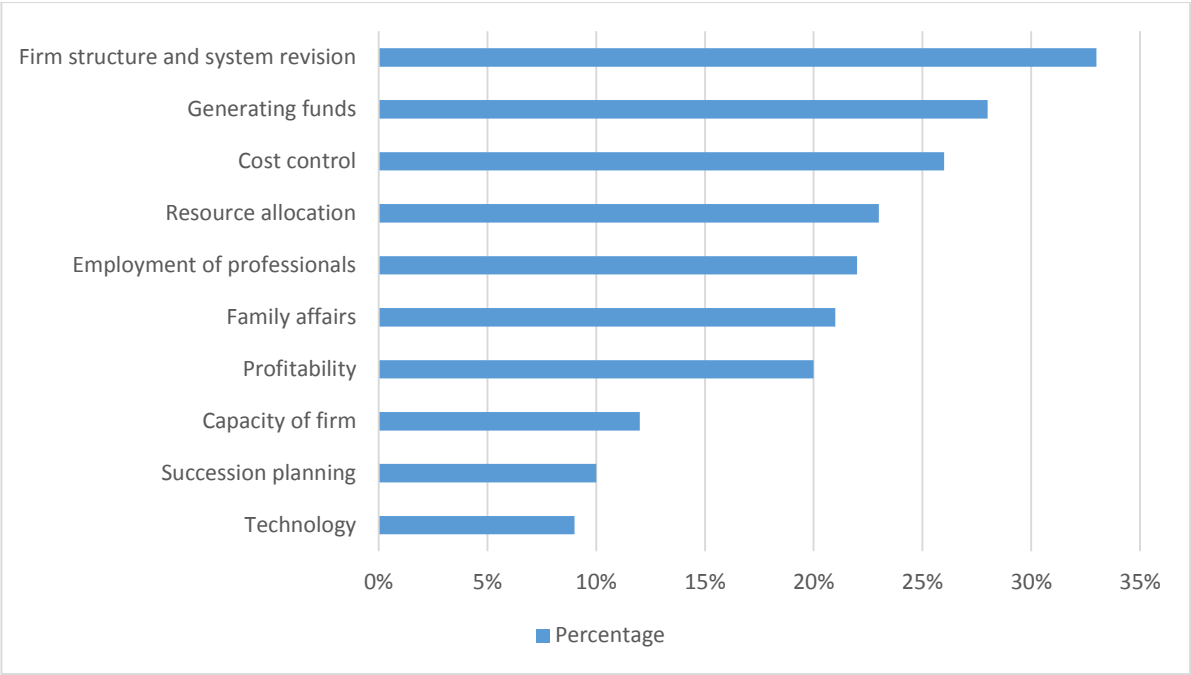

Figure 2.6 Firm Based Problems in Family firms (O'Sullivan and Koutsoukis 2008)

On Figure 2.7, the percentages of family-based problems in family businesses are given. According to researchers, family and business life becoming inseparable is considered to be the biggest problem with 40%. The second biggest family-based problem is the insufficient strategic planning of the business with 31%. Having incapable family members working in the firm, lack of profit investment into the business and weak characteristics of shareholders are considered to be other important family-based problems for family firms (Figure 2.7).

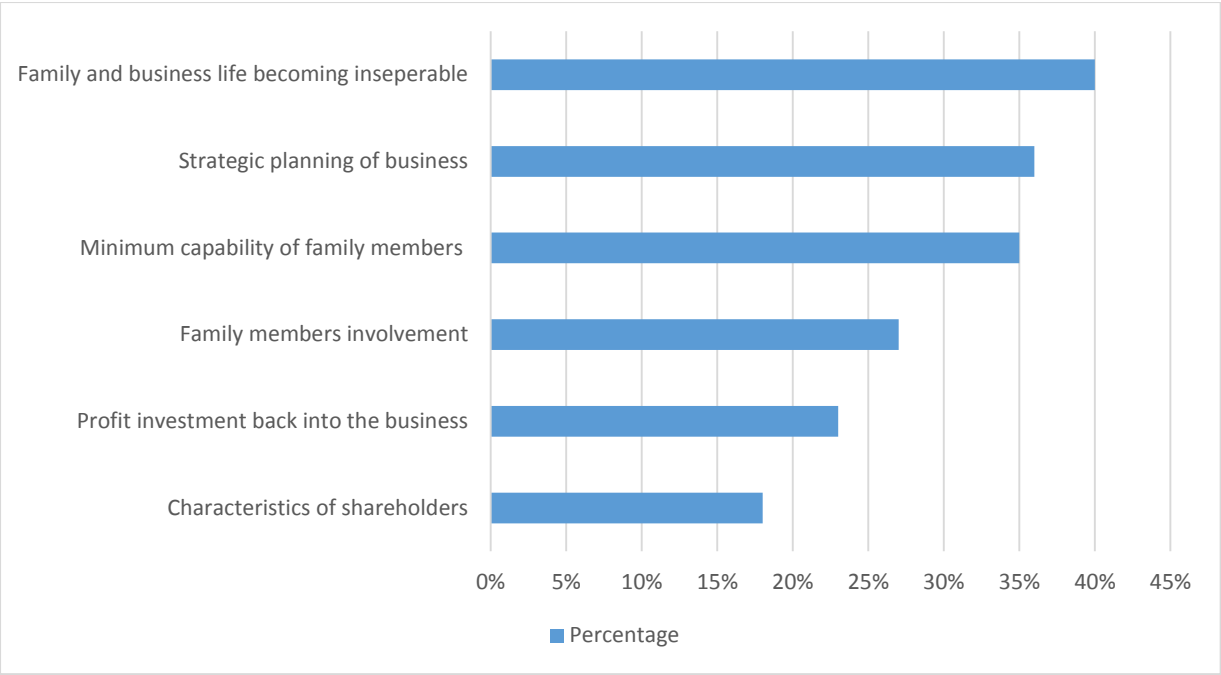

Figure 2.7 Family Based Problems in Family Firms (O'Sullivan and Koutsoukis 2008)

Against these family-based problems and issues, many conscious firms take actions and precautions to overcome these issues. Figure 2.8 include effective solutions family firms prefer to take and their preference ratios among these firms. The most preferred method to overcome family-based issues is the shareholder agreement. If there is a definite shareholder agreement in a company, conflicts related to share distribution and ownership arise less frequently (Figure 2.8).

Establishment of a family council is considered to be another method. About 28% of family firms use this method to deal with family related problems. Third party mediator, family constitution, death agreements, meetings, external councils and etc. are other applied methods for family firms against family-based problems (Figure 2.8).

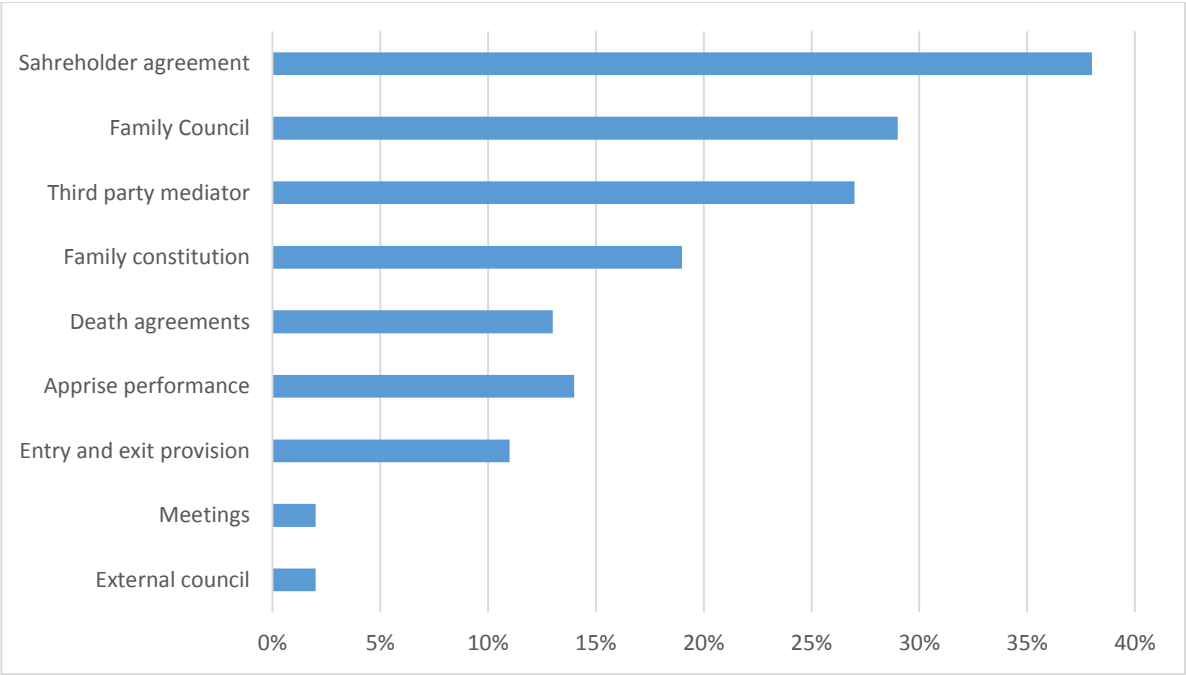

Figure 2.8 Solutions to Family Based Problems (O'Sullivan and Koutsoukis 2008)

2.14 The Advantages of the Family Business

Research and studies on family businesses usually focus on the difficulties and challenges these firms face. However, family firms also have some advantages which will be discussed in the following chapters.

Family members have a shared history and connection. They show consideration, make decisions by consensus, share knowledge and have confidence in each other. Knowing each other since they were young and being aware of each other's strengths and weaknesses provides benefits in their shared business lives. Family solidarity generates loyalty, trust, team spirit and continuity thus makes the family business a more successful institution.

The advantages and strengths of family firms also come from the same dynamics that cause problems for these organizations. These dynamics are namely, family, management and ownership. Accordingly, it depends on the controlling family to realize the firm's full

potential and turn its features into strengths and advantages. Here are some of the advantages and strengths of family businesses;

2.14.1 Self-devotion of the Family

Owners see the business as their own properties and feel emotionally responsible. Success of the business and the honor of the family is identical. Therefore, they give all kinds of managerial and financial support for the company. Sacrifice and dedication of the founder is very common in family businesses. Family members usually provide the capital requirement through reducing profit share and making self-sacrifice (Ozcan 2015).

In case of a financial crisis in family businesses, it is highly common to see family members urgently putting their financial funds together to overcome the crisis. Furthermore, family business owners usually spend more time for the company than professional managers. They make more sacrifices and dedicate themselves for the survival of the family business. For that reason, family businesses are more advantageous than their competitors. However, they can easily lose this advantage if they don't maintain their sustainability.

2.14.2 Self-devotion of the Employees

Placing great importance to traditions, norms, behaviors and friendship bonds and having close relationships with upper level managers help family members building strong bonds with the upper level managers and having loyal, trustworthy and diligent managers and board of directors in the company.

In case of a severe crisis, dismissal of personnel is a less common used method for family businesses than other types of business. Family businesses often have long-term employees and managers. These employees and managers dedicate themselves for the company, see themselves as a part of the family and believe that they will spend their lifetime in this company. As a result, they become loyal and embrace the company and

the business like any other family members. In most cases, these employees get rewarded and promoted in return for their emotions and behaviors.

2.14.3 Family Culture

By reason of the fact that family members know each other for a long period of time, the communication in the business is much easier among them. Having the same culture, value and ideas brings a more comfortable working environment for the employees, managers and the family members. Having people who have the same goals and interests always brings a tremendous advantage for the company.

Many people face a trust issue both in their private lives and in their working environment. It is not easy to find trustworthy people around. It is a fact that people trust their families and relatives than anybody around them. Therefore, having more family members in the company means that having more trustworthy co-workers and managers in the business. Besides, family culture enables partnership and alliance between two family businesses that are having similar cultures. Having similar cultures pave the way for family owned businesses to work together and to establish beneficial partnerships.

2.14.4 Experience and Expertness

Since their early ages, most of the family members start to know the company and the related sector and increase their knowledge by spending their times at the company in the weekends and after school hours. The adaptation period is much shorter for these family members.

Younger generation plays a crucial role for the continuity and institutionalization of family businesses. Therefore, responsible parents involve them in the business at their early ages to learn more about the business and to gain the necessary experience to be a leader when they are ready.

2.14.5 Long-Term Planning

Comparing to institutionalized businesses, family businesses spread their investment into long periods. Short-term achievements are necessary for big companies. Profit distribution is the main goal in these companies; however for family businesses, the main goal is to hand over the company safely to next generations and ensure continuity for a long period of time.

Well-defined long-term objectives and democracy in the family when making decisions help family businesses to increase the capability of the firm to adapt the changing environment and to maintain their continuity.

2.14.6 Family Brand and Reputation

Company brand holds a strong portion of success rate of companies. Family business gains more value and loyal customers with family reputation. In some cases, customers contact directly to the responsible family member and reach for a better customer service. Dyer names this advantage as "social capital" and implies the importance of this capital for family-owned companies (Dyer 1986).

2.14.7 Fast Decision-Making Ability

It is hard to take decisions in large companies. However, in family-owned companies there is less bureaucracy, better management improvement systems and innovative and entrepreneurial compositions which accelerate the decision-making process. Besides, family members consult less people and professionals when making significant decisions.

Family businesses also take strong initiatives to seize new opportunities, new products and markets. It is an important advantage for family businesses to have family members spending almost their entire time for their work, committing themselves for the company and making critical decisions on their own.

2.14.8 Management Policies

One of the most fundamental problems in businesses is the inconsistency of the management. Directors and managers are substituted frequently in companies which result in inconsistent management and procedures. However, there is a continuity in the management of family-owned companies.

Family-owned companies push to look for new business opportunities and to create job openings even during tough working conditions. They give their employees extra works to compensate their wages. However, the only goal for institutionalized businesses is to increase their profits.

2.15 Closure of Family Businesses

Lifetime of businesses are similar to the ones of people. The only difference is, people's lives end some day or other but it is possible for businesses to maintain their life time with the right strategies. Family businesses are established to meet family's financial needs. Biggest dream of family business founders is to see their children expanding the business after their retirement (Ozcan 2015).

As it was mentioned earlier, moving from one generation of top management to the next is a challenging process for family firms. This transition process is also necessary for healthier growth and continuity of the firm. Therefore, understanding the transition process, executing the transition process at the right time and not delaying it determines the lifetime of family businesses.

According to a study presented by Alacıkoglu, family businesses close because of five main reasons. The biggest reason is the conflicts among siblings (43%). Other main reasons are conflicts among family members (19), inheritance fight (19), sibling-cousin-nephew conflicts (14%) and conflicts between families (5%).

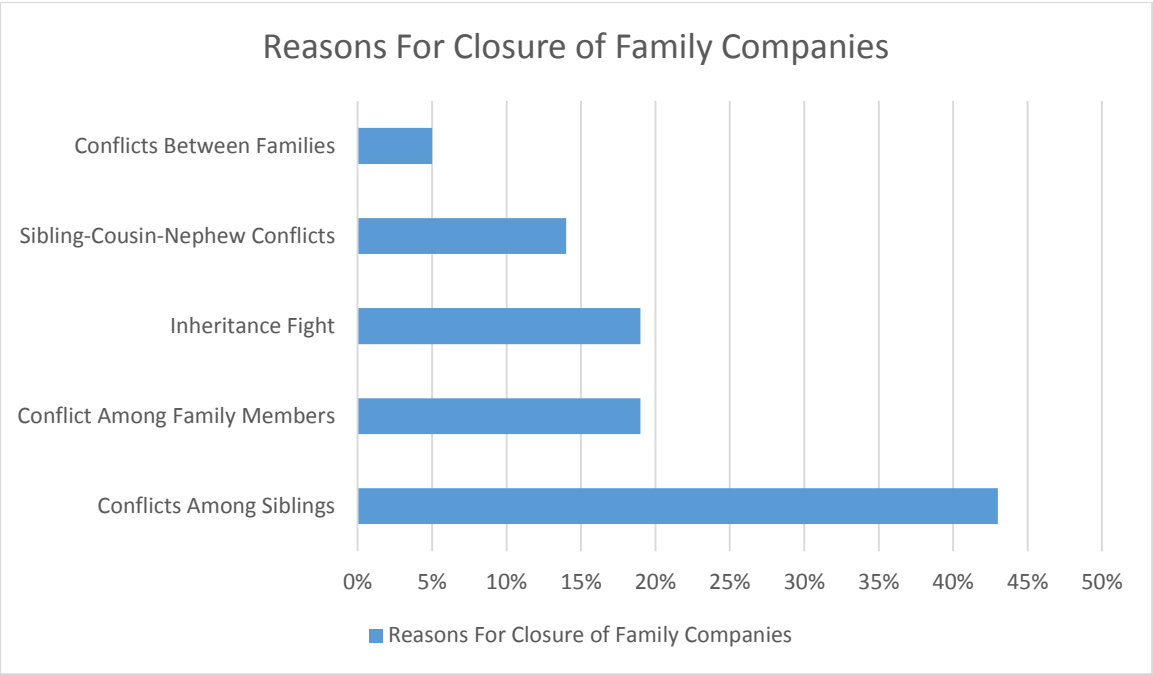

Figure 2.9 Reasons for Closure of Family Companies (Alacikoglu 2004)

According to Alacikoglu here are some of the reasons of why family businesses have a short life-time of business;

- Inability to institutionalize.
- Bad management habits and inability to control the expenses due to traditional management methods.
- Possible reactions to the new selected leader.
- Separations and resignations due to conflict among the siblings.
- Communication barriers, absence of information flow, insufficient data savings and reporting.
- Health related issues of the leader and desire of him/her to stay in the business, wrong investment calls and wrong decisions of the leader due to his/her old age.
- High competition among family members, family related issues and desire of siblings to be the only manager of the company.
- Jealousy between families.

- Inabilities to develop new products and to find new markets, problems on adapting to changing environment and fluctuations when taking strategic decisions.
- Succession issues and challenges to find the most appropriate candidate for the replacement of the leader.

2.16 Fleming's Seven Deadly Sins That Destroy Family Businesses

About family businesses, people discuss the continuity of family businesses, transition period of the family business and the reasons of their short life-times. According to several researches, failure to transfer the management to the next generation is not particularly related with the business. The main reasons of failure during this transition process is related with the struggle to differentiate two overlapping systems: the family system and the business system. In successful family businesses, these overlapping systems are managed and kept in their particular places without overlapping one another. However, in some cases the family system and the business system interfere and creates challenges and difficulties for the family and the business (Fleming, 2000).

Quentin J. Fleming cleverly explained 7 issues that destroy family businesses. He called these issues as sins that destroy family businesses (Fleming 2000). Explaining these issues is highly relevant in the business world as it was previously mentioned in this case study, high percentage of businesses are family-owned. But, only 30% of them survive to the second generation and 10% survive to the third generation (Davis 2016).

So why don't family businesses survive? Fleming responds to that question through his unique and specific perspective as what he called the seven deadly sins. From his point of view, these issues destroy the organization more than any other problems. Here is the summary of Fleming's seven deadly sins;

1. **"It's the same old song"** - Family members' behaviors, beliefs and roles from their early ages continue even when they become active in the business.
2. **"They may have become adults, but they'll always be my children"** - Parent don't want to accept their children as grown adults. They fail to give

responsibilities to their children because they refuse the fact that their children are grown adults.

3. **"You're not loyal to this family if you insist on being selfish" -** Family business is an organization with strict rules and dominant family members. This type of structure causes problems such as forcing children to be involved in the business and selecting which family members to join the management. These issues cause problems such as loyalty to the family and selfishness.
4. **"We're one big, happy family" -** Members of the family business are unable to acknowledge that the business system requires different practices than the family system (Fleming 2000). Parents sometimes award their children by ignoring their mistakes. They also avoid discussing important matters and hiring a third party to resolve issues.
5. **"Fathers knows best" -** founder is usually the dominant member in family businesses and makes most of the strategic decisions of the company. During the founder's absence, the family business might collapse as most of the decisions are depend on him/her. Therefore, the family business always in need of the founder on his/her duty.
6. **"Maybe it will go away if we ignore it" -** In some cases, family members ignore the source of the problem and don't mind finding a solution. This type of attitude only makes the problem to emerge again in near future with a more destructive potential.
7. **"Tell me about your childhood" -** Children enter the family business before having enough experience to resolve significant issues. Having them involved in the business when they are not ready may bring negative results.

Families seeing these issues beforehand and finding solutions are able to reach long-term success and sustainability; while other family firms trying to deal with permanent and catastrophic problems.

2.17 Family Businesses in Turkey

Family Businesses have a great importance in Turkish economy. According to Caliskan, 90% to 95% of businesses in Turkey are family owned and family managed. Family business ration is higher in Turkey than Asia and EU region. Alayoglu made a study on the survival rates of family-owned businesses in Turkey. According to him, only 20% of Turkish family firms survive to 2nd generation and only 6% are able to survive through 3rd generation (Alayoglu 2003). Some of the most well-known and successful family firms in Turkey are represented in Table 2.1.

Table 2.2 Family Businesses in Turkey (Caliskan 2008)

Company	**Owner**	**Founded In**	**Generation**
Vefa Bozacısı	Hacı Sadık	1870	4th
Hacı Bekir lokum	Hacı Bekir	1877	4th
Teksima Tekstil	H. Mehmet Botsalı	1893	4th
Çöğenler Helva	Rasih Efendi	1883	4th
Kamil Koç Otobüsleri	Kamil Koç	1923	3rd
Koç Holding	Vehbi Koç	1926	3rd
Tatko	Ahmet Emin Yılmaz	1926	3rd
Eüp Sabri Tuncer Kolonya	Eyüp Sabri Tuncer	1923	3rd
Nuh Çimento Emintaş İnşaat	Nuh Mehmet Baldöktü	1942	3rd
Sabancı Holding	Hacı Ömer Sabanci	1946	3rd
Kent Gıda A.Ş.	Abdullah Tahincioğlu	1927	3rd
Uzel Makine	İbrahim Uzel	1940	2nd
Ülker	Sabri Ülker	1944	2nd
Uzel Makina	İbrahim Uzel	1940	2nd

Family firms in Turkey have an average life-time of 9.8 years (Economic and Strategic Research Center Department 2005). Entrepreneurship of family businesses in Turkey adds value and help the country during the process of entering the European Union and to have a place in the international sector. Many founders and managers of these firms are well aware that their firms need to institutionalize for sustainability and for a successful transition process of the management of the next generation.

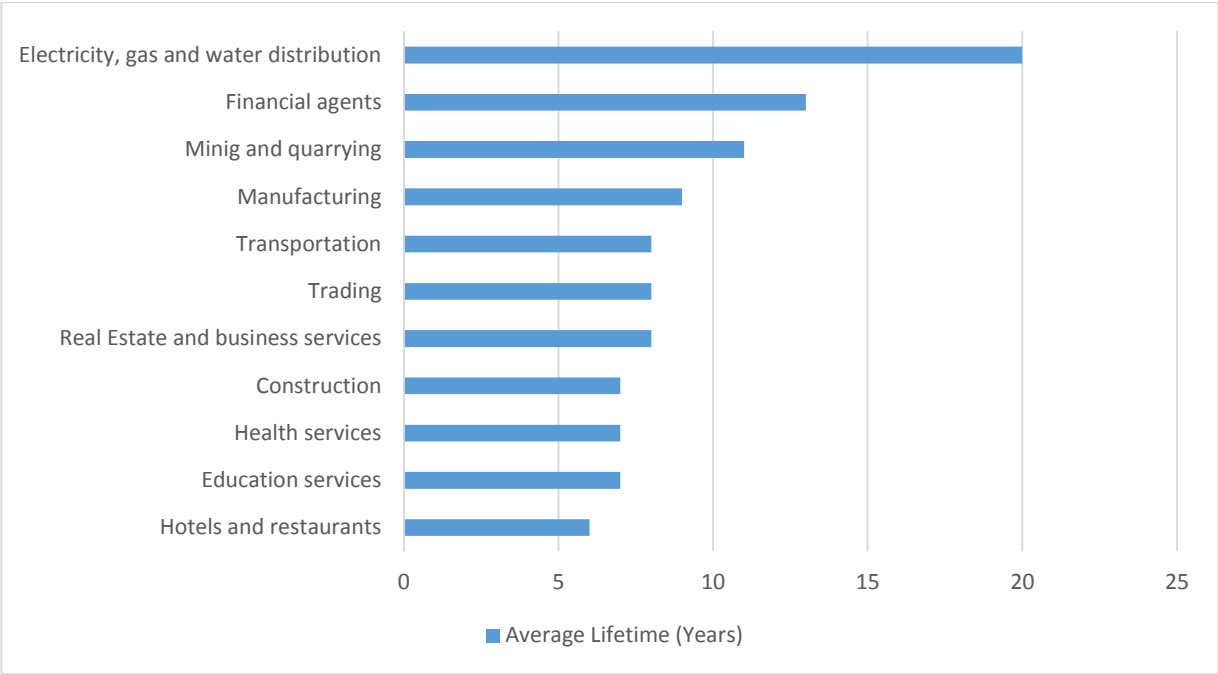

Figure 2.10 Average Lifetime of Family Businesses in Years (Economic and Strategic Research Center Department 2005)

In addition, family firms in construction sector in Turkey is listed 8th with average lifetime of 7.8 years in the average lifetime of family businesses ranking (Economic and Strategic Research Center Department 2005). Companies involved in electricity, gas and water distribution have an average lifetime of 20 years and financial agents comes second with an average lifetime of 13 years. Family firms dealing with hotels and restaurants have the lowest lifetime average with 6.7 years compared to other sectors (Figure 2.10).

Caliskan also separated the activity areas of family businesses in Turkey. She grouped the industries where family businesses operate in five main segments. According to her study, 51.2% of family firms operate in the production industry. 19.5 of them operate in the trading industry. The third biggest industry where Turkish family firms operate is the construction industry with 15.4%. The following industries are Tourism with 4.8% and Finance with 4% (Figure 2.11).

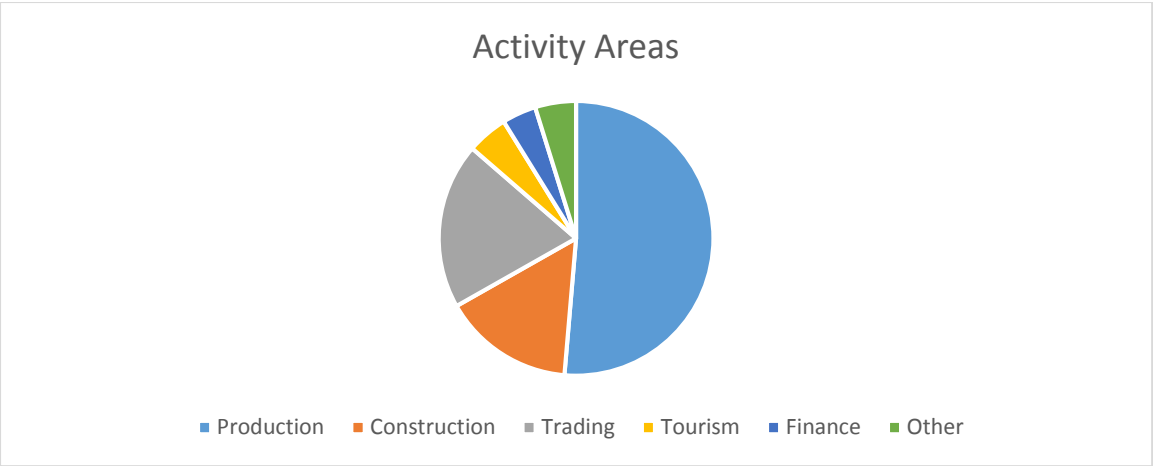

Figure 2.11 Activity Areas of Family Firms (Çaliskan 2008)

When we look deeper into family firms in Turkey and family members titles at managerial levels it can be seen that chairman of the board have the highest involvement rate with 57.6% compare to the general manager position with 21.7% and board member position with 11.9% (Figure 2.12).

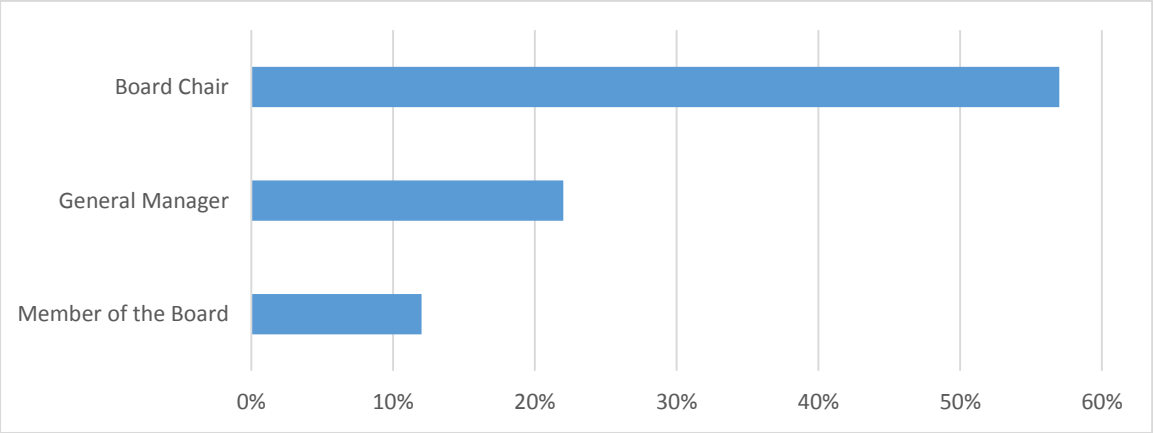

Figure 2.12 Titles of Family Members in Turkey (Caliskan 2008)

Turkish Commercial Code requires an amount of company shareholders in the hands of at least one family member. In most family firms in Turkey, more than one family member holds an amount of company share (Figure 2.12). According to Caliskan, family members

hold the company's shares in 69.6% of family firms in Turkey. More than one family member holds the shares in 14.7% of family firms and the company belongs to one person in 12.7% of family businesses in Turkey (Figure 2.13).

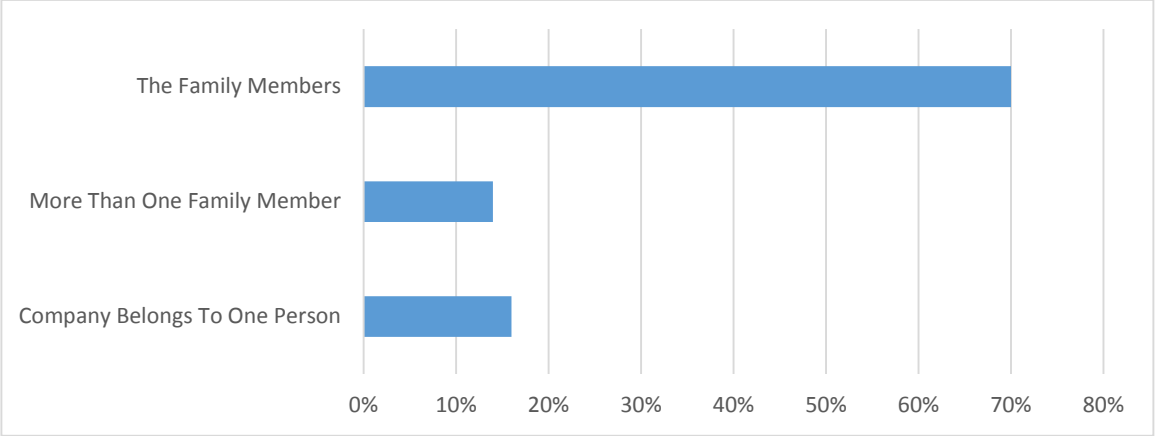

Figure 2.13 Family Member Involvement in Family Firms (Caliskan 2008)

Another important data gathered by Caliskan's research is the number of employees of the family firms. According to the research, 15.7% of the family firms have five hundred or more employees. 16% of family firms have between 150 – 250 numbers of employees. 38.9% of family firms which is the highest ratio have between 50 – 149 employees and 29.4% of family firms have less than 50 employees (Caliskan 2008).

As it can be seen from the tables and researches, family firms in Turkey have a short period of lifetime. The main reason for that is institutionalization is a new subject introduced in Turkey and many firms fail to become institutionalized organizations. In this case study, processes, systems and factors for institutionalization will be analyzed and explained considering a single Turkish company in the construction sector.

One can observe easily that; construction firms hold a big portion of Turkish and international market and they have a strong effect in the economy of their related countries. Especially in Turkey, institutionalization process of family firms is necessary for durability and long-term survival. Therefore, this case study will be a helpful guide for

other companies in construction sector in their institutionalization processes and their strategies for long-term continuity.

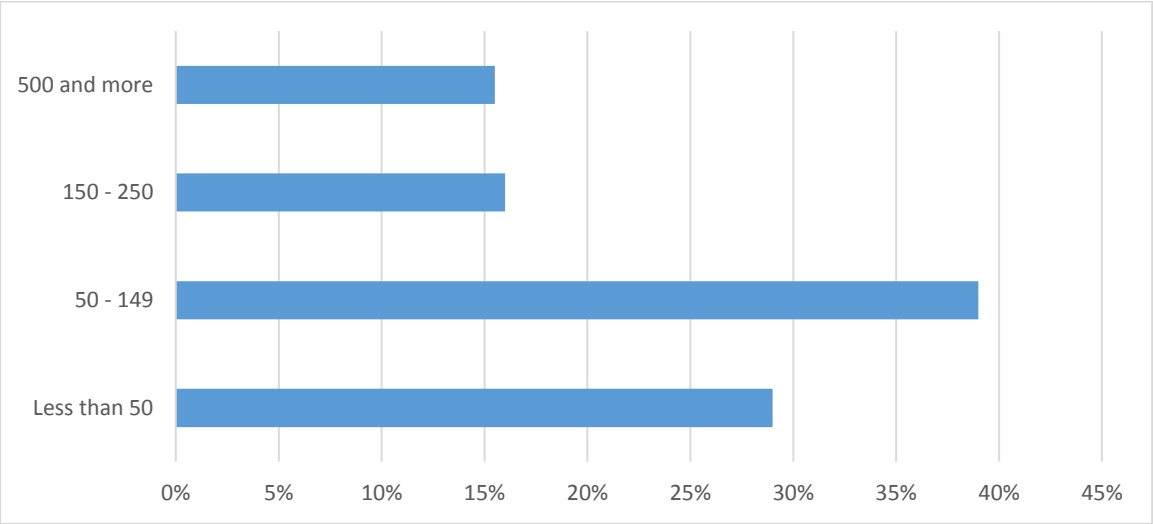

Figure 2.14 Number of Employees in Family Firms, (Caliskan, 2008)

CHAPTER 3

MANAGERIAL FRAMEWORK FOR INSTITUTIONALIZATION

In this chapter, many topics regarding institutionalization are covered. In the first part of the chapter, different understandings of the term institutionalization were explained. Family business owners and managers have different understandings about this concept. In the following part, life cycle stages of family firms are analyzed. Other parts of this chapter cover managerial functions framework, steps to be taken during institutionalization process of management, elements of the transition and the importance of institutionalization process. Last but not least, the advantages and the difficulties of institutionalization process is covered in the final chapter.

3.1 Perspectives Towards the Institutionalization Concept

In our country, family business owners and professional managers have different perspectives towards the term “institutionalization”.

Some of family business owners understand the followings from the institutionalization concept;

- Increase in the number of professional workers in the business,
- Clarifications of job descriptions and norms
- Clarification of organizational structure and
- Delegation of authority

On the other hand, professional managers understand the followings from the institutionalization concept;

- Clarifications of job descriptions, norms and responsibilities

- Clarification of the organizational structureUnlike business owners, professional managers want to strengthen their positions, have more authority and execute division of labor in their workplace (Karpuzoglu 2002). Family business owners usually refuse to make tremendous changes in their way of managing the business. This situation is one of the main obstacles family businesses face during their transition and institutionalization process.

According to Ozcan family members need to value their company professionally. Many founders see their companies as their own child and their toy. Therefore, aside from their unwillingness to pass the management power to the next generation, they don't even want to share this power with others (Ozcan 2015).

3.2 The Need for Institutionalization

The owner of the company complains about the company's issues and decreasing reputation and the employees' inadequate efforts. However, he wants his business to continue after his retirement. The employees complain insufficient salaries and they think they deserve more than they earn. They also complain about insufficient manpower and overloaded workload.

According to several experts, institutionalization of the family business is the most effective solution for both owners and employees' issues. But, the main concern here is the lack of information people have in order to start this transition process. The next section aims to analyze the required steps of institutionalization process as well as the elements of it.

3.3 Difficulties of Institutionalization

In family firms, if the founders want their business to continue after their retirement, they either need to have a successful succession period or institutionalize the company by

bringing in more professionals. Family firms which prefer to transform into a more institutionalized structure face several difficulties during this process.

First of all, the biggest challenge is to dedicate every stakeholder in the company to change. People who are not dedicated and resist to change will always make things harder for the people who actually try to change. Secondly, a firm in an institutionalization process has to change its structure and policies. A lack of formal structure and policies is not acceptable to manage a successful transition process (Rizo and Bordon 2017). People in the organization often feel that their freedom is being taken away when procedures and policies become formal.

Thirdly, a financial planning to deal with a transition process is also essential and challenging. Internal trainings about institutionalization should be given to employees and managers. In addition, directors, managers and upper level chiefs need to get together a couple of times to discuss and to determine strategies and goals and to make a company analysis. These types of events will be time consuming. Also, a professional expert needs to be hired to lead the institutionalization process. All these necessities are considerable amount of costs and a proper financial planning needs to be made to handle these costs.

Another challenge for a family business to institutionalize is the founder's unwillingness to transfer his responsibilities and powers. The reluctance of the founder to leave the business is a major problem which is seen in many family-owned companies. In most cases, the founder does not want to transfer his power to the next generation or any other shareholder in the firm. The main reason which makes it difficult for the founder to leave the business is the dilemma of what he will do after retirement. A founder dedicate himself to the business in his entire life so he may find himself in a state of emptiness after his retirement. When transferring power in the family business, the founder must believe that the business will survive even after his death. Giving up control will be easy for the founder if he believes that the company will be run successfully after he steps down.

To sum up, there are several difficulties and challenges to consider for family businesses facing institutionalization. It is important to take certain precautions and actions for these

challenges. Otherwise, it is inevitable that the transition period will be nothing but a failure.

3.4 Importance of SWOT Analysis Before Institutionalization

One of the most important studies a family business needs to make before institutionalization is SWOT Analysis. It is a great way to gather the most important stakeholders such as managers, family members, directors and chiefs in one room and discuss strengths and weaknesses of the business along with external factors affecting the firms competitive advantage. In this study, Case Company will make a SWOT analysis to determine all the internal and external factors before making any important decisions.

In the sixth part of the study, workshops will be held among directors, managers and partners of the Case Company to make a SWOT analysis. This way, the overall strategy of the Case Company will be developed. The main purpose will be to determine possible routes to reach the established targets. Potential strategies will be created by considering each SWOT analysis factor. SWOT Analysis will cover a big portion of this Case Study as it is the most important tool to determine strategies and to finalize the institutionalization process.

3.4.1 What is SWOT Analysis?

SWOT analysis is a framework for assessing a firm's resources and capabilities in terms of strengths and weaknesses and external market situation in terms of opportunities and threats (Madsen 2016). Several studies from the past implies that SWOT analysis is one of the most common tools to analyze organizations and to make future plans. Madsen implies in his "SWOT Analysis: A management Fashion Perspective" article that SWOT analysis has been used more than any other management techniques in the process of decision-making (Madsen 2016).

SWOT analysis is often made at the start or before any strategic goals are determined. The framework is considered to be the most powerful internal and external analysis tool. In its name states, main elements of SWOT analysis are Strengths, Weaknesses, Opportunities and Threats (Rouse et al. 2007);

Strengths: Internal attributes that differs and separates the organization from others.

Weaknesses: Internal attributes of the organization that needs to be improved to remain competitive in the market.

Opportunities: External factors the organization can take advantage of to use as a competitive advantage.

Threats: External factors that may or can harm the organization or jeopardize its success and competitive advantage.

3.4.2 Key Considerations for Conducting a SWOT Analysis

Especially for family businesses, there are important tips to consider when making a SWOT analysis. SWOT analysis activities need to be led by experienced facilitators (Piercy and Giles 1989). In this Case Study, workshops will be conducted to make a SWOT analysis and these workshops will be managed by the founding partners of the Case Company. In addition, a professional consultant will be hired to manage the institutionalization period and will also direct founding partners to lead the workshops.

Another important tip is to enlighten and to educate the attendees who are attending a SWOT Analysis workshop. The four components need to be explained in detail and with examples. Also, each participant needs to fully understand each concept before making any contribution to the study (Pickton and Wright 1998). In this Case Study, Case Company's professional consultant will be the one to explain these four elements in detail and make sure everybody is on board and fully understand the tools of the analysis.

Another tip for conducting a SWOT Analysis is to provide enough time for participants to make brainstorming (Piercy and Giles 1989). Most of the participant will be highly

experienced managers in the sector, therefore with adequate time, they will manage to make excellent analysis for internal and external factors of the Case Company.

The final tip is to divide the participants into different groups to increase their brainstorming capabilities. When people discuss the analysis together and consider perspectives of others, better ideas may emerge from them. Also, sharing of ideas with others will also help getting rid of redundant ideas which will result in preventing waste of time when groups present the outcomes of their analysis.

3.4.3 Why Family Firms Make SWOT Analysis?

As mentioned earlier, SWOT Analysis is used at the start of a strategic planning exercise (Rouse et al. 2007). For decades, it is considered to be one of the most powerful tools before any decision-making process. Managers and/or founders of family firms often forced to make tough decisions for the sake of the business. The hardest decisions are usually made when the family business is facing a transition period. The transition period could be a succession period such as; younger generation stepping in as the older generation preparing to retire; or it can be a period when the managers decide to institutionalized the company as the founders come close to their retirement ages. These types of transition periods need to be analyzed systematically and every possible outcome should be considered if the firm is planned to pass this period with the least amount of harm. SWOT analysis is a great tool and is used by several family firms to analyze internal and external factors before entering to make any strategic decisions such as institutionalization.

In this Case Study, workshops will be conducted a couple of times among managers, directors and chiefs to determine long term strategies and goals. But it is certain that a SWOT Analysis will be made beforehand to analyze the company's current situation and what kind of strategies should be determined to reach those goals.

3.4.4 What is the Importance of SWOT Analysis Before Institutionalization Process

SWOT analysis can help the decision-making process by creating a visual representation of the various factors that are most likely to impact whether the business, can successfully achieve an objective (Rouse et al. 2007). In this case study, the Case Company's main objective will be to institutionalize and to survive even after the founders retire. In this regard, board members, managers and family members will make a comprehensive SWOT analysis before determining their long-term goals and strategies to achieve these goals.

Although the SWOT analysis is important and beneficial for a company or an organization to analyze and to help establish its goals, it has its limits. The analysis only captures internal and external factors that matter at a specific point in time. In other words, the factors determined at tha specific time can change or differ over time. Therefore, the SWOT analysis is not a permanent solution to answer all the questions. It needs to be done regularly in order make itself effective and useful.

In this study, the Case Company will make its SWOT analysis framework before determining its long-term goals. Although, it will last for a couple of weeks to prepare the whole framework, the SWOT analysis of the Case Company should not be taken into account for a long period of time. It will be done to prepare itself for its long-term goals, however the analysis needs to be done regularly to determine where the company is in reaching its goals.

3.5 A Life Cycle Stage Approach to a Family Firm

First of all, it is necessary to understand the life cycle stages of a family firm before going deeper to the steps and stages of institutionalization process. Prominent family business researchers, Quinn and Cameron proposed a life cycle stage approach for family businesses. In life cycle stage approach, stages clearly indicated where the management

of the company needs to be institutionalized. This approach is highly similar to the stages explained in the *Three-Dimensional Developmental Model* described in the previous chapters.

The first stage is the entrepreneurial stage of Quinn and Cameron's life cycle stages. In this stage, the owner(s) are the managers and have the full authority in the business. In this stage, the main issue is to find a place in the market and to be survival. At the stage, the owner /founder makes and implements all managerial and functional decisions of the company.

The next stage is collectivity stage. Quinn and Cameron characterized this stage with a powerful, family-like culture (Quinn and Cameron 1983). At this stage, the second generation are grown enough to enter the business. The main concern of the business is continuity and growth rather than survival. The owner at the collectivity stage still has the authority; therefore, the decision-making power is still in the hands of the owners. There is still an informal management system in the company. However, founders, other family members and nonfamily employees have strong commitment to the success and the continuity of the family firm. In fact, the success and the continuity of the family business is highly depending on the commitment and dedication of employees.

The third stage is to formalization stage. In this stage, the increased size of the company and the increased number of employees cause issues and bring in managerial problems. It is not easy to manage all areas of the organization from a single hand. So, centralized management system is not adequate to sustain the continuity of the business. Furthermore, in this stage the owner/founder gets older and more family members become involved in the business which causes new issues such as who will replace the founder and how the shares be distributed. As explained in previous chapters, succession period can be painful and costly if it's not planned systematically beforehand. Therefore, it is necessary to pass on some of founder's roles and knowledge to next generation and potential successors and establish a new management system. This is where the management of the organization has to be institutionalized (Quinn and Cameron 1983).

It is commonly known that the transition from the entrepreneurial stage to administrative stage and the transition from the first generation to the next frequently occur together (Peiser and Leland 1983). Moreover, the succession process of family businesses often become successful if the family and business transitions occur simultaneously. In other words, starting institutionalization process may be better just before the retirement of the founder. It is noted in the history that most of family businesses vanish when their founders unexpectedly retire or suffers from an illness.

Transition process from a centralized management system into an institutionalized management system brings in many novelties such as a new managerial style, new role definitions, a new structure and etc. If this process is not handled correctly and systematically, it may bring the end of the business. Many experts believe that the first transition stage is the most crucial stage for family businesses and has to be planned beforehand and managed carefully. Because, several crisis and problems arise during this transition period such as inexperience of the next generation, goal conflicts among family members, next generation's unwillingness to take responsibility, difficulty of family members in understanding the importance of the process and etc.

In light of these views the next chapter will identify the transition that an single handed managed firm experiences when the decision to institutionalize is made. Institutionalized firms find themselves in the formalization stage which was discussed earlier in the chapter.

3.6 Managerial Functions Framework and Institutionalization of Management

Institutionalization of management means passing on the informal management functions of the company to formal systems of management. It is about establishing new and formal managerial systems. These managerial functions are; decision making, planning, organizing, directing and controlling functions of the company. Table 3.1 summarized the related managerial functions that change within the institutionalization process.

Table 3.1 Elements of Institutionalization of Management (Weelen and Hunger 1997)

	Owner/Founder management	**Professional Management**	**Elements of transition**
Decision Making	Centralized	Decentralized	Managerial development
Planning	Centralized	Participative	Strategic planning tools
Organizing	Simple structure, not clear role definitions and an organizational chart	Divisional structure, clear role definition and an organizational chart	Human resources practices
Directing	Founder/owner culture, employees follow the leader	Corporate culture, formalized management methods	Training and development
Controlling	Informal coordination and control	Formal means of coordination and control	Written rules and procedures, training

Decision Making: As it was explained in previous chapters, most family businesses start with a single owner or sibling partnership and founders/owners tends the to be the sole decision makers in the business. When other family members start to be involved in the business the decision-making process becomes more difficult. In most cases the second-generation family members are not experienced enough to make crucial decisions and next generation does not fully understand the business. In other words, the family members are totally dependent on the founder/owner of the business when it comes to making strategic decisions.

Therefore, when institutionalization process begins, it is necessary to change the sole decision-making system of the company to a more decentralized system. Delegating authority is one of the primary steps of institutionalization process. Separating levels of management and delegating decision-making power to each managerial system should be made. In this system, operational decisions will be made by lower levels of management and strategic decisions will only be the concern of the top management. This type of decision making system will increase the effectiveness and decrease the decision time of the enterprise.

In a more advanced step, participative decision making which includes both owners and employees may be applied after the firm is institutionalized. A great example of participative decision making is the composition of the board of directors. The board of directors is important if it functions properly, because the decisions are made with a consensus of both family members as well as other top managers.

Planning: Family businesses in the early ages, controlled by a single owner or sibling partnership, do not have a formal planning structure. Decisions are made by the owner(s) and completely centralized. In companies, planning occurs in two different levels: operational planning and strategic planning (Shrader et al. 1989). In family firms, there is another planning level called family plans. In this level of planning, family members need to decide on future family involvement in the business.

In family planning, there are many options to take such as; retaining both ownership and control of the business, professionalizing the management and keep ownership, become principal shareholders while diversifying part of ownership or sell out the business. As these options are highly critical for the sake of the business, family planning should be made carefully to avoid destructive results.

For instance, when the family members decide to stay in the business, they need to plan succession process and what actions to take in cases of issues arise during succession period. Prominent family business researcher John Ward recommends that family planning should start with business planning and proceed to family planning and family issues as the next step (Ward, 1987).

Organizing: Family businesses start with a simple structure, often controlled and managed by a single owner or siblings. There are no clear role definitions or an organizational chart during early ages of most family businesses. The organizational structure is highly simple and informal. As the business grows, the organizational structure becomes more formal and the company suffers for a need of institutionalization. In the process of institutionalization, a proper structure should be made and each employees' roles and responsibilities should be clearly defined by human resources activities.

Directing: During the early ages of the family business, the founder is expected to be the sole leader of the organization. He directs, manages and motivates employees and makes entire decisions of the company. As the organization grows, the founder must accept his changing roles for the continuity of his enterprise. He needs to delegate some his responsibilities, to motivate his followers and future leaders of the firms, to prepare next generation for the continuity of the business and to accept that he needs to step down and transfer his knowledge and authority to others.

The transition process can only be done if the founder is willing to change the structure of the firm. It is certain that the founder will fear change and even resist to change. Therefore, everyone in the business should be on board and support the leader. Formalized management methods and corporate culture will replace the founder's rules and informal structure of the organization.

Controlling: In the first-generation family owned businesses, there are no written procedures and rules and the control is personally done by the owner. These companies suffer from coordination and communication problems as they grow their businesses. As the business grows, the need for proper degree of formal and written procedures arises. Methods for performance evaluation and reward systems are also needed as the business grows and becomes formal.

As a result, with the institutionalization process, these five managerial functions which are conducted personally by the founder, are passed on to a more formal managerial system.

3.7 Elements of the Transition

The changes during the institutionalization process bring in some new elements into the organization. And these can be summarized as follows:

Organizational Structure: Institutionalization process of family managed firms brings in the needed change in organizational structure. In small-sized family businesses, the structure of the company is often not clear and informal. Managers and employees' roles and responsibilities are not specified. As family firms attempts to institutionalize, they adopt more formal, clear, standardized and less centralized structures. As a result, institutionalized firms benefit from a more organized and coordinated organizational structure.

Human Resources Management: Processing institutionalization brings in several competitive advantages. One of them is the effective use of human resources management practices. Human resources management is one of the key elements of the transition. Some key roles of human resources management throughout the institutionalization process are as follows;

- Proper recruitment and selection of personnel help satisfy the needed professional expertise and utilization of staff members.
- Training and development of the personnel are handled by human resources department. Overall improvement of employees is vital for the continuity and effectiveness of the company. It is crucial to invest in the training of employees both professionally and personally.
- Human resources department specify organizational chart and job descriptions of managers and personnel. This process helps to clarify roles and responsibilities and to bring in a more formal and standardized structure which avoid conflicts and misunderstandings about responsibilities.
- Human resources department set up performance and peer evaluations periodically to increase control and motivation of employees. These evaluations also bring in

some reward systems for the employees which directly contribute positively to the motivational levels of employees.

- Human resources department also has role in the compensation management and promotion opportunities such as perks and bonuses of the personnel.
- Human resources management contributes to the overall planning of the activities within the company.
- Human resources department ensure that the organization has a fair working environment. HR also detect employee satisfaction and sense of belonging of personnel as part of their duties.

Strategic Management: Family-firms in the institutionalization process need to adopt some strategic and operational planning in order to be successful in this transition process. Although it was mentioned that firms need to be formalized several times in previous chapters, strategic planning process should not be too much formalized as the organization loses flexibility. A sudden transition to formal planning from an informal structure brings in issues and problems (Wheelen, 1997). Strategic planning of family-owned firms need to include some component as;

- Determining the mission and the vision of the organization
- Determining main obligations and objectives of the organization
- Determining strengths and weaknesses of the organization
- Determining short term and long-term strategies of the organization
- Identifying roles/definitions and policies ıf the organization
- Determining performance evaluation measurements

Control Mechanisms: Institutionalized family-owned enterprises must employ formal control mechanisms if there isn't any sufficient and proper control mechanism of operations. Control mechanisms measure operations and results as well as motivate employees. Some fo the examples of control mechanisms are; statistical quality control, inventory control, performance control, operational control, quality control and etc. Control mechanisms need to have the followings;

- performance and work objectives,

- measurement and reporting system,
- performance evaluation and rewarding system.

Management Styles: As previously mentioned in other chapters of the study, a changing firm needs to have a changing leader. In a centralized family business, leader wants to control everything and be the source of every decisions related to his/her company. In institutionalized family firms, it is expected that the founder adopts a paternalistic and participative leadership style towards employees. The first rule of changing management styles in order to help a successful transition process is the leader's desire to adopt different managerial styles and to use them properly.

3.8 Wrap-up

Many important concepts and studies were analyzed in the literature part of the case study. As a result of these studies, some of these concepts have become prominent for this particular study. In the following chapters, the focus of the study will be concentrated more on the following topics; succession problems, barriers against institutionalization of family company, founders and managers' inability to adopt to the changing culture and structure of the firm, actions taken for the transition period, SWOT analysis, long-term goals and strategies for the long-term survival.

In previous chapters it is stated that the succession process is the main issue family businesses face. Most of family firms can't survive without a proper succession plan. In other words, survival of the family businesses mainly depends on the succession period they face and how they manage this critical period. As mentioned earlier, family businesses need to take certain actions and steps before changing its management structure.

Another way for the survival of family businesses is to institutionalize the management of the company which is the main topic of this case study. In most cases, when founders get older and prepare to leave, they leave the business to their children even though they are not ready and experienced enough to take over the business. The case is very similar in

this study as the founder brothers are getting closer to their retirements. Analysis to determine the current situation of the Case Company will be made, and strategies to make a successful transition will be determined.

In the next chapter of the case study, literature findings will be analyzed for the Case Company. Problems in the Case Company in terms of decision-making, planning, organizing and controlling will be investigated and analyzed through questionnaires, observations and meetings with employees and managers. Workshops will be conducted to analyze the transition period, to make SWOT analysis, to determine long-term company goals and strategies to achieve these goals. At the end of the study, progression of the Case Company's institutionalization process will be explained and recommendations will be given.

CHAPTER 4

FAMILY BUSINESSES IN THE TURKISH CONSTRUCTION SECTOR

Construction market plays a crucial role in Turkey's economic development, generating about 10% GDP and employing millions of people. In this chapter of the study, history of Turkish construction family-owned firms will be analyzed and explained. In addition, international competitiveness of Turkish construction and consultancy firms will also be examined and defined in this chapter. Engineering New Record (ENR) will be investigated and top Turkish construction and consultancy firms will be analyzed and stated in this chapter.

4.1 History of Turkish Construction Firms in the International Market

As mentioned earlier, construction market plays a crucial role in Turkey's economic development, generating about 10% GDP and employing millions of people. The opening of the Turkish construction companies to other markets around the world started around 1970s (Ministry of Economy 2015). The first country in which Turkish construction companies operated was Libya.

Later on, Turkish construction companies expanded their services to other countries such as Iraq, Jordan, Saudi Arabia, Kuwait, Yemen and Iran. Around 1980s, Turkish construction companies expanded their services towards more on Soviet Union countries. Around 1990s, due to political uncertainties and economical fluctuations in Middle East and North Africa, Turkish construction companies have focused more on Asian and Eastern European countries such as; Russian Federation, Ukraine, Pakistan and far east (Ministry of Economy 2015).

Until the end of 2000, Turkish contracting companies have undertaken 1987 projects with a total value of approximately 41 billion USD (Ministry of Economy 2015). After the economic crises of 2001, domestic investments decreased significantly and construction companies increased their investment in other markets. The annual volume of business undertaken abroad increased sharply from 4.1 billion in 2001 up to nearly 25 billion USD in 2007 (Ministry of Economy 2015). In this period, most of the business was undertaken in the Russian Federation, Libya, Turkmenistan, Kazakhstan and Iraq.

During, 2010 – 2013, the annual volume of international business undertaken by Turkish contractors grew by 30% and reached its peak, increasing from 23.4 billion USD in 2010 to 30.2 billion USD in 2013 (Ministry of Economy 2015). In 2014, with a decrease of 10%, the annual business volume became 27.1 billion USD. Turkmenistan, Russian Federation and Iraq were the leading markets for Turkish construction companies in this period. Kazakhstan, Saudi Arabia and Azerbaijan follow these countries in distribution of international works during 2010 and 2014 (Figure 4.1).

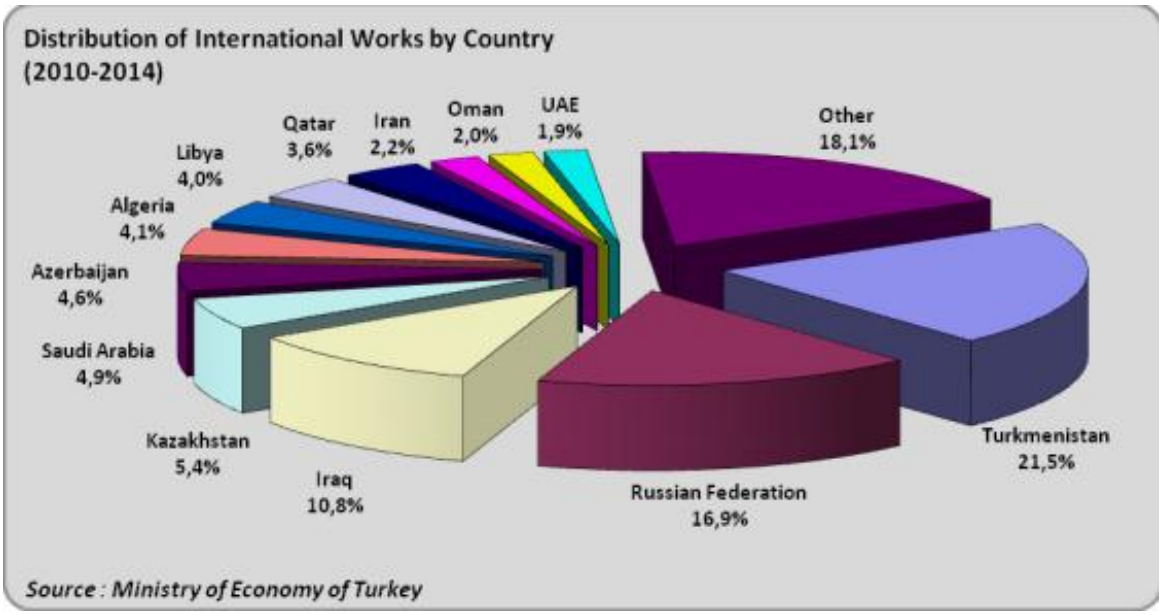

Figure 4.1 Distribution of International Works by Country (Ministry of Economy 2015)

Emin Sazak, President of Turkish Contractors Association (TCA) stated that Turkey has become the fastest growing economy in Europe. Construction sector played a huge part in this economic growth. He quotes "when the economy grows, the constructions sector grows slightly more, but when it shrinks, construction shrinks faster" (TCA 2015). For his point of view, we can understand that construction sector's growth rate is highly depend on economic environment of that country.

When we look at distribution of international works by markets between 2010 and 2014, Turkish construction companies implemented most of their services in road/bridge/tunnel works (15.8). The second most popular area for Turkish construction firms was housing (12.2%). Other popular areas for Turkish contractors were commercial centers (8.6%), airports (6.1%), industrial plants (6.0%), power plants (6.0%) and etc. Distribution of international works by nature of Turkish construction companies during this period can be seen in more detail on Figure 4.2.

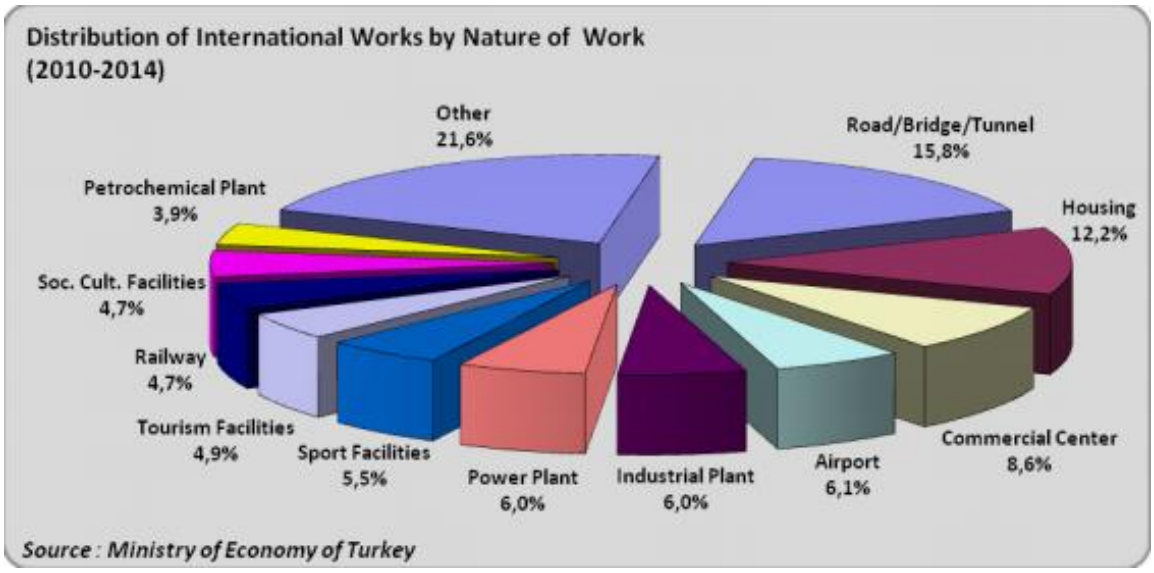

Figure 4.2 Distribution of International Works by Nature (Ministry of Economy 2015)

As a result, from 1972 to 2015, the construction sector of Turkey has improved tremendously around the world. The opening of the Turkish contractors started in North Africa, Saudi Arabia and Iraq on 1972 and expanded to Russia, Libya and Kazakhstan

between 1990 and 2000. After 2000, Turkmenistan is also added to the list of Turkish contractor's top favorite places of operation. Table 2.7 gives important geographical markets of Turkish contractors in a historical sequence (Table 2.7). As of 2010, most of contractor's works are undertaken in Turkmenistan (21%), Russia (17%) and Iraq (11%).

Table 4.1 Important Geographical Markets of Turkish Contractors in a Historical Sequence (Ministry of Economy 2015)

Important Geographical Markets of Turkish Contractors in a Historical Sequence							
1980 – 1990		**1990 – 2000**		**2000 - 2010**		**2010 – 2015**	
Libya	55%	Russian Federation	34%	Russian Federation	15%	Turkmenistan	21%
Saudi Arabia	23%	Libya	13%	Libya	12%	Russian Federation	17%
Iraq	11%	Kazakhstan	8%	Turkmenistan	11%	Iraq	11%

From the information given, we can say that the top six prominent markets for global Turkish construction sector are; Turkmenistan, Libya, Russia, Kazakhstan, Saudi Arabia and Iraq. When we look at the areas of operation of Turkish contractors, they work in several areas of construction market. Most popular areas of operation are; airports, roads, bridges, tunnels, power plants, petrochemistry facilities, housing, commercial centers and etc. Working in several areas in the global construction market increased the international competitiveness of Turkish contractors which will be covered in the following section (Table 4.2).

4.2 International Competitiveness of Family-Owned Turkish Contractors

About 90% to 95% of businesses in Turkey are family owned and family managed and have a great importance in the Turkish economy. Family firms are active in almost every sector in Turkish economy. In the construction sector, family businesses also hold a big portion of the overall construction sector. There are several family owned Turkish construction firms which have reached substantial achievements world-wide.

The competitiveness of the construction industry steadily increases (Ozorhon 2014). Especially during the last ten years, Turkish contractors have gained tremendous success in foreign countries. When we look at the Engineering News Record (ENR) top 250 rankings, there are several Turkish construction firms that are family owned and managed. Another interesting fact about ENR Top 250 International companies is that they have $521.55 billion in contracting revenue in 2014 from projects outside their home countries (ENR 2015). The top 250 companies also had $909.26 billion in revenue from their domestic projects in 2014 (ENR 2015).

ENR is a magazine that provides news, analysis, information and opinion for the construction companies worldwide. ENR ranks the largest design and construction firms annually and it is considered to be the most prestigious research magazine in the construction sector. In other words, it is extraordinary to be a part of these 250 construction firms. In 2015 results, there are a total of 43 construction firms from Turkey among these special 250 firms.

With 43 construction firms listed in ENR 2015 Top 250, Turkey is ranked 2nd after China which has 65 firms in the list. United States is ranked 3rd and follow these two countries with 32 firms. In 2016, experts are unclear about the results as Turkish economy is at downfall and most of the construction firms are being affected by these economic fluctuations.

When we look at ENR 2015 Top 250 rankings, most people ask what needs to be done to surpass China and to become the number one contracting country in the world. Emin Sazak, President of Turkish Contractors Association (TCA), responded to that question as

Turkish contractors need to be more competitive with the quality of their works and time of delivery (TCA 2011).

Family owned Ozturk Holding, ranked 18 in the ENR 2015 Top 250 list and had the highest ranking among other Turkish construction firms. Another family-owned company listed in the list is Renaissance Holding which was ranked 37. In comparison with the previous year, the company had improved its ranking by 16 positions. The third highest ranked Turkish firm was Polimeks Construction. The company was ranked 62 in ENR Top 250 list of 2015. Polimeks had also improved its ranking by 23 positions in comparison with the previous year's results.

Table 4.2 Top 10 Highest Ranked Turkish Family-Owned Construction Firms (ENR 2015)

Company Name	**Headquarters**	**2015 Ranking**	**2014 Ranking**
Ozturk Holding Co	Istanbul, Turkey	18	-
Renaissance Construction	Ankara, Turkey	37	53
Polimeks Construction Inc.	Istanbul, Turkey	62	85
Enka Construction & Industry Co. Inc.	Istanbul, Turkey	65	52
Calik Energy Industrial Construction Inc.	Ankara, Turkey	89	157
Tekfen Construction & Installation Inc.	Istanbul, Turkey	90	101
Ant Yapi Construction, Industry & Trade Co. Ltd.	Istanbul, Turkey	92	107
Ilk Construction	Istanbul, Turkey	107	184

4th highest ranked Turkish construction firm was Enka Construction & Industry Co. Inc. The company was ranked 65 in ENR 2015 Top 250 list. Unlike the other Turkish firms, Enka went down in the list by 13 positions as comparison to 2014 results. Other Turkish construction firms listed in top 100 of ENR 2015 Top 250 list were; TAV Construction, Calik Energy, Tekfen Construction and Ant Yapi Construction ranked 82, 89, 90 and 92 respectively.

Especially in the construction sector, most of the companies are either family-owned or family managed organizations. However, as it was stated earlier in previous chapters, most of these firms have short period of lifetimes. According to TOBB's research on lifetimes of Turkish family businesses, 65% of family firms either go bankruptcy or shut down their operations within the first five years. 20% of them can't even make it to their second years. 24% of these family firms shut down their operations after 5 to 10 years. Only 11% of them continue their operations more than ten years (Dunya Gazetesi 2012).

According to Haluk Alacıkoglu, CEO of a consultancy firm called Family Business Advisors, although there are a total of 750.000 family firms in Turkey, most of them vanish due to lack of information about how to run a family business (Guler 2010). Several researches and studies made on family businesses around the world; however, in Turkey this topic is seemed not to be relevant for many family owners. Therefore, only 30% of family businesses in Turkey are able to pass their management to the second generation.

To sum up, the biggest challenge for the family firms is to change the management structure and the upper level managers' attitudes towards the new system. Many family firms fail during a succession period. It is the most difficult period for family firms when the founders and the older generation family members step down and let the younger generation take control of the business and the management of the company. There are required steps and to be taken and suggestions in the literature for this transition period. The following chapter, "Institutionalization of Family Businesses" covers these topics of transition period and gives a better look on how the institutionalization process works for family businesses.

4.3 International Competitiveness of Family-Owned Consultants

In addition to the construction companies, international competitiveness of family-owned Turkish consultancy firms is also covered in this study. As mentioned earlier, construction market plays a crucial role in Turkey's economic development, generating about 10% GDP and employing millions of people (Guler 2010). Consultancy firms also plays a crucial role in the success of Turkish construction companies.

Turkish architecture, engineering and consultancy firms also maintain most of their businesses in Russian Federation, Kuwait, Turkmenistan, Libya and Iraq (Ministry of Economy 2015). Most of these companies maintain their international businesses in Middle East and North Africa similar to Turkish contractors. Because, Turkish architecture, engineering and consultancy firms get most of their projects from Turkish contractors. Turkish contractors usually prefer to work with Turkish subcontractors also in foreigner markets due to several reasons. Most importantly, working with Turkish firms makes the communication easier. Also, it is much cheaper to work with Turkish subcontractors compared to international companies abroad. Therefore, Turkish construction companies prefer to work with Turkish consultancy firms.

As a result, Turkish design firms also achieved great successes in foreign markets and provided substantial benefits for the Turkish economy. However, unlike Turkish Contractors, they couldn't achieve higher rankings in ENR International Design Firms rankings. Unfortunately, none of the Turkish design firms made it to the top 100 lists on ENR 2016 Top International Design Firms rankings. According to ENR 2017 Top 225 International Design Firms ranking, there is only one Turkish design firm made it to the top 100 design firms on the list. NKY Architects and Engineers is the only Turkish design firm ranked in top 100 ENR 2017 Top 225 International Design Firms (ENR 2017).

NKY Architects and Engineers was ranked 97th on the top 100 lists. The company was founded in 1980 as a design office in Trabzon. In 2007, the head office of the firm had been moved to Ankara. The firm is capable of both implementing architectural and engineering design. Some of firm's important references include, Gaziantep State

Hospital, Bilkent Integrated Health Campus, Saudi Arabia Mosque and ISM Administrative Office Building.

NKY Architects and Engineers is also a family-owned company. At the moment, the company is managed by the second generation, older son of the founder. The founder of the company works part-time as a consultant and left most of the management to his son. The son is currently the CEO of the firm and earned most of BOD members' trust and respect. Thus, it is inevitable that this successful design firm will continue to stay on the top of ENR and represent Turkey proudly for the upcoming years.

When we look a little bit behind to the top 225 list of ENR Design Firms rankings. We see two other successful Turkish consultancy firms made it to the ENR 2017 Top 225 International Design Firms list (ENR 2017). Su Yapı Engineering and Consultancy is ranked 156th on the list. The company was founded in 1964 as an independent engineering and consultancy firm. So far, the firm has carried out more than 600 projects in Turkey and abroad. Some of its prestigious projects are TANAP pipeline project, Bosporus Rail Tube Crossing Project and Azerbaijan Canal Project. The firm is a third-generation family-owned firm.

The third highest ranked Turkish design firm in the 2017 ENR Top 225 International Design Firms List is Temelsu International Engineering Services Inc (ENR 2017). Temelsu was founded in 1969 and has been providing multi-disciplinary engineering services, locally and internationally. The company is mainly involved in Water Supply, Wastewater and Drainage projects. It is also a family-owned design firm. The second generation is working actively with the founding partner of the company and has been managing the company successfully.

Yuksel Project is the last Turkish design firm made it to the 2017 ENR Top 225 International Design Firms List (ENR 2017). The firm is ranked 209th on the list (ENR 2017). The firm was founded in 1978 in Ankara, Turkey. As of right now, the company has more than a thousand employees and operates in thirteen countries. Some of its prestigious references include, Yavuz Sultan Selim Bridge, Osmangazi Bridge, Marmaray, Algeria Tramways and Istanbul Subways. Yuksel Project is also a family-

owned and managed firm. At the moment, several family members are actively involved in the management of the firm.

CHAPTER 5

RESEARCH METHODOLOGY

I have picked Case Study as my research methodology. In this study, I used an Exploratory Case Study approach to analyze and to implement my Case Study.

5.1 What is a Case Study Research?

Case study is one of the most popular methods in thesis studies. Case studies aim to analyze specific issues within the boundaries of a specific environment, situation or organization (Dudovskiy 2017). It enables researchers to closely interpret and to investigate the data within a particular context (Zainal 2007). In most cases such as this study, a case study often selects a small geographical area or a small portion of people as subjects of case study. Case Study is considered as a suitable option for students and researchers who are trying to undertake a moderate scale research analysis (Rowley 2002).

According to several researches, there are three main case study research types (Saunders and Thornhill 2000). The first one is called Explanatory Case Study. Explanatory Case Study examine the data in detail both superficial and in deeply in order to explain the cause in detail. It aims to answer “how?” and “why?” questions. The researcher using this type of research method has little or no control over the course of events (Dudovsky 2017). It is the most commonly used of case study around the world.

The second case study type is called Descriptive Case Study. This type of study aims to describe the natural phenomena which occur within the data in question (Zainal, 2007). For example, the researcher might investigate what different strategies are used and how

they were used. The main goal of the researcher is to describe data as they occur (Zainal, 2007). The third case study type is called Exploratory Case Study. In this type of study, researcher uses data collection methods such as interviews, questionnaires, workshops and etc. The main goal of the researcher is to find answers to the questions of "what?" and "why?" (Suanders, 2000). Small scale data collections are used in this method. Exploratory Case Study was the main case study method used in this case study. Other researchers also propose other types and categories of case studies; however, the most common ones are taken into account in this particular study.

5.2 Why did I pick Case Study as My Research Methodology?

There are several reasons why I picked case study as my research methodology. First of all, case study method often offers insights that might never be achieved with other research methods. According to Rowley's article called Using Case Studies in Research, case study research method is useful when aiming to provide answers to "How?" and "Why?" questions and to describe and explain a particular case (Rowley 2002).

Another reason why I picked case study as my research methodology is that it brings a wide range of advantages for the researcher which will be covered in more detail on the following section. There are several variations to case study approaches which allows researcher to make both quantitative and qualitative analysis of the data. In some studies, the researcher seeks to use qualitative data from journal writings and research studies. In other studies, some researchers prefer to use qualitative data such as numerical and categorical responses of individual subjects (Zainal 2007).

In addition, detailed qualitative data produced in case studies help to describe the data in real-life environment and to explain the complexities of real life situations. Other research methods such as experimental and survey research often remain incapable to achieve such results.

5.3 What Are the Advantages of a Case Study Research?

Case studies are popular for several reasons. Case study researches bring a number of advantages for both researchers and observers/readers of them. In this section, some of the main advantages of these types of studies will be specified. First, case study research is highly flexible and broad compared to any other research types (Murphy 2014). Researchers use case studies to develop any ideas and interpretations without any limits.

Secondly, case studies are often gets the attention of their readers as most of them are unique and interested (Zainal 2007). Third advantage case studies bring to researchers is that it allows both qualitative and quantitative analysis of the data. It involves both numerical and written facts and findings.

Unlike experimental and survey research, case study research not only help to define real-life environment data, but also help to specify the complications of real-life situations which could also be considered as an important advantage. The reader of a case study benefits not only from the qualitative information concerning the strategies used, but also benefits from understanding how and why these strategies are used (Yin 1984).

5.4 What Are the Practical Disadvantages of a Case Study Research?

Despite of all the advantages and benefits, case study approach also brings some disadvantages. According to Yin, there are three main disadvantages of a case study. First, researcher making a case study does not put enough effort or make adequate research to make his point. He accuses case study investigator to be sloppy by letting biased views or evidences to influence his direction of findings and results (Yin 1984).

Second, the data collected by the researcher could be very subjective. The case study method is dependent on the researcher's studies, observations and experiences. However, these memories might not be accurate or reliable. Most of the interpretations and suggestions may be biased and therefore the information and the case study content might be unreliable (Yin 1984).

Thirdly, the information and the content of the case study is unique and therefore can't be applied to any other case studies because the studied subject is unique and different than other studies (Yin 1984). Another disadvantage of case studies is that they sometimes written as too long, difficult to conduct and generate a huge amount of information (Tellis 1984). The issue here arises when the information and documentation are not systematically prepared and written.

According to Tellis, A common criticism of case study method is its dependency on a single case exploration making it difficult to reach a generalizing conclusion (Tellis 1997). Case studies form unique solutions and therefore most of results and recommendations are biased in data collection and interpretation which makes them less helpful and useful for other case studies.

CHAPTER 6

EXPLORATORY CASE STUDY: CASE COMPANY

6.1 General Information

Case Company is a Turkish company in the construction sector which was founded almost thirty years ago by two brothers who are civil engineers. When the company was founded, it started its operations mainly on dealing with architectural and engineering design with an initial focus on building design. In time, the company has grown over the years by specializing in design of various kinds of structures such as, industrial buildings, historical buildings, high-rise buildings, healthcare facilities, residences, offices, railway systems, shopping malls, earthquake resistant buildings and etc. The company has expanded its field of services and operations in Turkey and in other countries.

In years, the company's services went beyond the design of a single building. It involved transportation projects, infrastructure projects, landscape planning, Research and Development studies, project and construction management, design and construction supervision, software development, earthquake engineering, construction supervision and technical assistance, investigation studies and etc.

For more than 30 years, the company has been providing design, engineering and consultancy services to nearly hundreds of clients both nationally and internationally. As of today, the company has done various scale of different design projects in more 30 countries around the globe. As of today, Sample Company have undertaken hundreds of different projects around the worlds having total construction area of more than 30 million square meters.

The company started its operations by offering structural design services. Over time, it expanded its operations by offering electrical, electromechanical, mechanical, architectural engineering services, geotechnical investigations, project management and coordination services, consultancy services, preparation of cost estimates, bills of quantities and tender documents, urban and regional planning, track-way alignment engineering, tunnel and bridge design ad so forth.

Since its establishment, Case Company continually grown by including Company I within its structure in 1991, then Company II in 1995, Company III in 2002 and finally Company IV in 2008, to complete its original design chain.

In addition to its headquarters in Ankara, Case Company provides its services in two offices in Istanbul and Izmir. Furthermore, it has a research and development office located in Technopark of Middle East Technical University in Ankara for developing software development and research studies in earthquake engineering, retrofitting techniques, isolation systems and disaster risk management studies.

Case Company also organize periodic in-house and nationwide training programs mainly on research and development areas and projects. Company employees and owners participate as experts and trainers in most of these programs and regularly present their studies in national and international symposiums, seminars and conferences in order to improve the effectiveness of design and engineering sector of Turkey.

As of right now, Case Company has hundreds of employees mostly comprises of engineers, architects, technicians and drafters in various disciplines such as geology, geodesy, environment, sociology, economy, software development, urban planning and site supervision.

Company's principles focus not only on customer satisfaction but also on the professional development of its staff which makes the company as one of the best in design and software companies in Turkey. Some of company's defined principles are as follows;

- Improve our knowledge and skills by following technological and scientific developments,
- Focus on research, development and renovation projects,

- Offer reliable and timely services,
- Meet the latest quality standards in our projects and working units,
- Strictly conform to in-house training policies at all levels,
- Maintain a managerial policy that encourages innovation and integrity and extending team spirit in this direction,
- Ensure high level customer satisfaction,
- Achieve customer dependency,
- Abide by national and local environmental policies and current environmental management standards in all of our activities.

6.2 Data Collection

In this case study, data to prepare the analysis has been collected by one on one interviews, questionnaires, meetings, workshops and daily observations. Findings of these activities will be explained more in detail over the upcoming chapters of the study.

Questionnaires were conducted to understand the overall situation of the company and problems it faces. They were handed over to randomly selected employees of the Case Company (See Appendix A). The questionnaire comprises of seven different parts. Another aim of this questionnaire was to understand whether the employees are satisfied with their working conditions and whether they believe the company can institutionalize its management successfully. The items in the questionnaire were adapted from a study called *Tightening the Life Cycle Construct* by Hanks et al. (1993) with some adjustments and changes.

All the questions were translated to Turkish for the comfort of the employees. The translated questionnaire was also modified by professors of METU and professional consultant hired by the Case Company in guidance for the transition period. First part of the questionnaire aims to understand the structural form of the company. In the second and the third part, the main goal is to find out whether the company has formal and written procedures in the company and whether they are followed by the employees. Fourth part

of the questionnaire aims to analyze how centralized is the decision-making process in the company and how often managers contribute to the decision-making process. In part five, areas of the company were analyzed. The final part covers the levels of authority were designated.

The questionnaire was distributed to 30 randomly selected employees from the headquarters office of the Case Company. 25 of the questionnaires were returned. Returned questionnaires were analyzed in terms of managerial framework of the Case Company. These questionnaires were then shared with founders and managers of the firm in workshops conducted.

In addition, workshops were also held among managers, family members, directors, chiefs and founders to discuss the transition period they are involved in and to determine long term goals and strategies to achieve these goals. The workshops have started with making a SWOT analysis for the firm. After that, long term strategies and future goals were determined. In the upcoming chapters, results of these workshops will be given in more detail along with the recommendations made for the ongoing institutionalization process of the Case Company.

6.3 Current State of the Company

The original company was founded by five partners in 1985, two of whom are still current partners of the company. After two years of its establishment, other partners left the company and sold their shares to the brothers. Since then, the shares of the company were distributed equally between the two brothers. As of right now, not many family members are involved in the business as the company is still managed by the first generation. Older brother's son and the younger brother's nephew are involved in the business for a couple of years. The older brother has another child, who just graduated from college. However, she decided to study in a post-graduate program in Europe. The younger brother has a single child who also studies college abroad. As the company grows and the founders get older, a need for a new structural solution increases.

The company's Board of Directors comprise of a total of fifteen members. Most of them are non-family members and are involved in the business for more than fifteen years. The third brother, who owns another company is also a board member of the Case Company. The younger brother's wife is also a member of the board and has a small portion of share like the younger brother. Younger brother's nephew has recently become a board member and increased the number of family members in the board. Only a few years ago, most of board members earned small portion of shares and became partners of the company as the founding brothers decided to distribute a small portion of company shares among the managers.

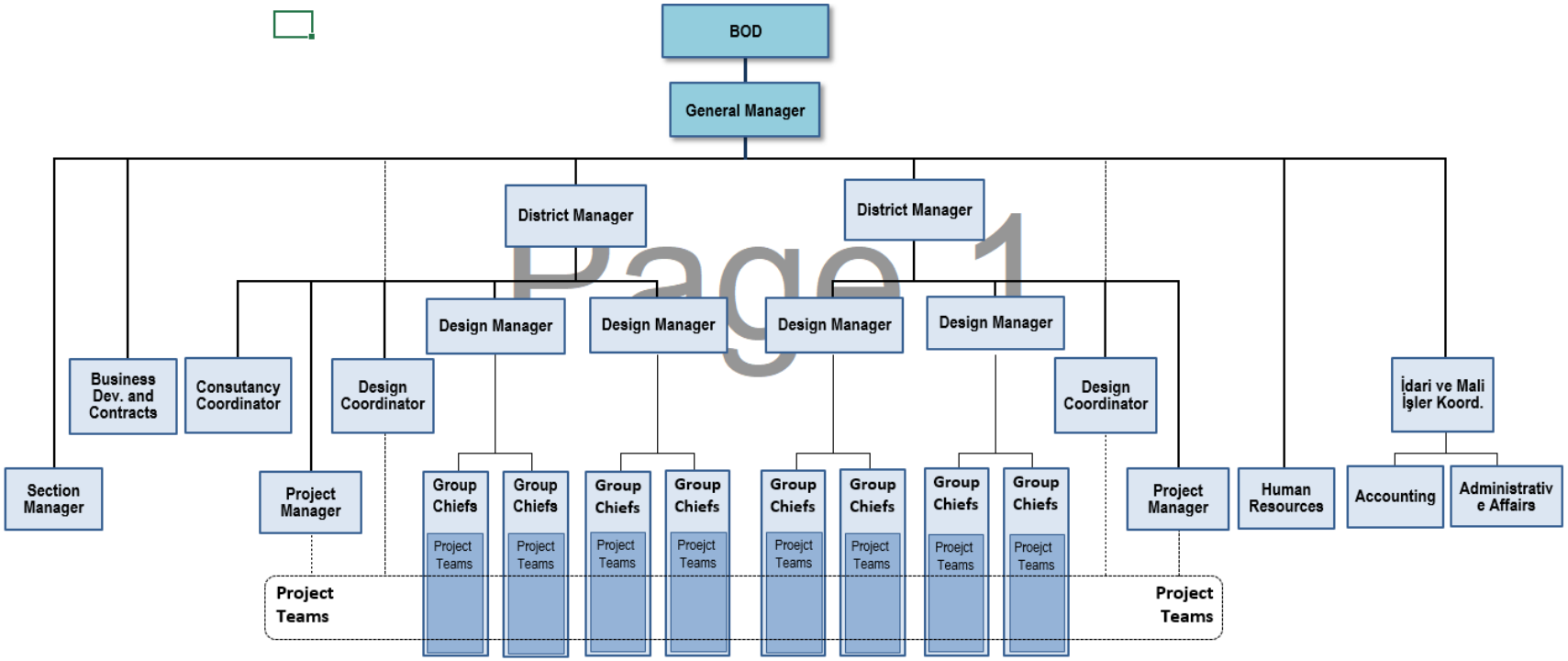

Figure 6.1 Organization Chart of the Case Company

Today, the company has a more institutionalized structure, having more partners in the business. Among the fifteen, thirteen of them own shares and are named as managing partners of the Case Company. However, the number of partner increase in the business did not change the fact that the decision-making system to be highly centralized among the two brothers. In other words, the company is still highly dependent on brothers' experience and knowledge. As a solution to this problem, there is an ongoing institutionalization process inside the company to break this structural form. The company recently hired a professional consultant to manage this transition period

In accordance with this purpose, Case Company had taken several steps to become less dependent on brothers. The first step was to publish a written book called *The Company Handbook*. In this book, several important topics were explained and written in detail for every member of the company. The book was written by the board of directors under the supervision of the founding brothers. It took about a year to publish the company handbook. The book covers several important topics about the organization such as;

- Job descriptions of each personnel
- Organizational structure
- Responsibilities and duties of managers and employees
- Project management
- Organizational structure of project teams
- Project managers and their duties
- Hiring policy of the company
- Work hours
- Bonus policies
- Performance evaluation forms
- Meeting procedures
- Dress codes and administrative rules
- Trainings and personnel development policies
- Work breaks
- Buying procedures

The company book was published with long efforts and used as a written constitution of the company. The BOD expected every employee to read this book, to understand each procedure and policy and to follow them. By 2015, all the procures and rules which were written in the book were started to be fully followed by managers and employees.

At the end of 2015, department of Human Resources were established and an experienced lady was hired as the human resources manager. The consultant of the company played a big role in the selection of the HR manager and was fully involved in the hiring process. He reviewed about hundreds of resumes and interviewed tens of candidates to find the most appropriate person for this particular department. He stated that "HR department will have a big role in the company's transition period". The hiring process were held by him along with the supervision of the younger brother.

Another crucial change in 2015 was the improvement of the employment procedure of the company. The founder of the company really admired the way consultant hired the HR manager and decided to follow his techniques for every hiring of the company. After the HR manager was hired, she and the consultant came up with core interview questions to be asked in one-on-one interviews. Since then, related department managers along with the HR management has been managing interviews and hiring process of the company.

Although this is the latest prepared chart of the company, it was stated that the chart will be re-done based on the new structure of the company. Organizational chart is comprising of the general manager, coordinators, directors, managers and employees. It is a clear and a concise chart from its hierarchical structure (Figure 6.1).

6.4 Current Problems

Today, the Case Company faces some important problems which were also stated in the previous chapter. Main issue is centered around the founding partners. They have been running the business for more than 30 years and they are aging and their retirement age is coming faster than they think. The firm is in need for a new managerial structure. The

current managerial structure won't be sufficient to keep the company alive. The managerial problems of the Case Company can be summarized in four different areas;

6.4.1 Decision Making

In the organization, the decision making is highly centralized at the founders of the company. Major decisions both administrative and technical can't be taken without the approval of brothers. The elder brother has a strong character and gives more authority to his employees than the younger brother. He usually prefers to authorize and to give responsibilities to other managers to make most of the decisions. He only wants to be consulted if there is an urgent issue which can't be solved without his consultancy. However, the younger brother has the opposite attitude than his older-brother. He wants to be involved in every decision-making process of the company. The consultant of the company stated that the younger brother's attitude is the biggest barrier to change the managerial structure of the company. He thinks the younger brother should give more authorization and responsibility to the managers and let them handle most of the issues on their own.

When we look at the results of Part VI of employee questionnaire, we can see that the decision making is quite centralized in the organization (Table 4.1). As it can be seen from the table, high percentage of employees claim that the decision-making power is in the hands the general manager (younger brother) in most of the situations. Most of the respondents claim that promotion of an employee, new product and service purchase, dismissal of an employee and new project start is determined by the younger brother. However according to some employees, project manager and group chiefs may also make the final decisions in some cases. For example, 12 out of 25 respondents claim that project managers and chiefs determine the project budget and 16 of them say that rewarding is also determined by the upper level managers.

Table 6.1 Responses of Employees to Decision Making Scale

1: Lower Level Managers	**2:** Department Manager
3: Project Manager / Chiefs	**4:** General Manager / BOD

Questions	**Number of Responses**				**Total**
	1	**2**	**3**	**4**	
Promotion of an employee	0	0	8	17	25
New product or service purchase	0	2	9	14	25
Expenses excluded from the budget	0	1	9	15	25
Dismissal of an employee	0	0	6	19	25
Determining a project budget	0	0	12	13	25
Rewarding employees	0	0	16	9	25
New project start	0	0	2	23	25
Performance evaluation criteria	0	4	12	9	25

In the survey, most centralized decisions appear to be: new project start, dismissal of an employee and promotion of an employee. As a result, we can understand that most of the critical decisions are made by either general manager or partners of the firm. Based on the results of this part of the survey, most employees think that there is an entrepreneurial decision-making structure rather than a professional structure (Table 6.1).

When we look at the IV. Part of the questionnaire, which is about strategic decision making, we can see also see that there is an entrepreneurial-decision making strucutre. According to 52% of the respondents, the decision-making power is in the hands of the general manager of the firm. Only six of them think that strategic-decision making is half

professional and half entrepreneurial. Only 1 of the respondents say that the decision making is completely professional.

Table 6.2 Responses to Strategic Decision-Making Scale

Strategic Decision Making	**Percent of the Respondents**
Completely entrepreneurial	52%
Usually entrepreneurial	12%
50% professional %50 entrepreneurial	24%
Usually professional	8%
Completely professional	4%

According to the majority of the respondents, decision-making structure of the firm is entrepreneurial. Most of the decisions need to be approved by the general manager of the firm. Therefore, there is a centralized decision-making structure in the company according to the findings of the questionnaire (Table 6.2).

6.4.2 Planning

As mentioned earlier in the study, when we talk about planning in family businesses we mean two separate plans: the business plan and the family involvement plan.

One of the crucial aspects of family involvement plan is succession planning. From the studies and investigations made in the research part of the study, it can be seen that the Case Company does not have a concise succession plan for the second generation. But, the management had taken steps towards the company's transition period into a more professionalized structure. Some of these actions were;

- Publishing a company book

- Founding the Human Resources Department
- Hiring a professional consultant to manage the institutionalization process
- Increasing the number of managing partners of the firm

The managers also organized workshops to determine business plans, strategies and future goals which will be explained in more detail in the following chapters of the study. Planning framework of the Case Company will also be explained in more detail in the following chapter.

6.4.3 Organizing

The organizational structure of the Case Company is a functional structure, comprised of departments such as engineering, finance, human resources. When we look at the results of the first part of employee questionnaire (Table 6.3), most of the employees claim that the company has a functional structure. Only 2 of the respondents claim that the company has a simple structure and only one respondent say that the company has a divisional structure.

Table 6.3 Responses to Company Structure

Type of Structure	**Percentage of Respondents**
Simple Structure (There are no functions and division inside the company)	8%
Functional Structure (Departments such as engineering, architecture, finance, human resources)	88%
Divisional Structure (Variety of products and markets)	4%

When we look at part II of the questionnaire which defines the structure of the company, it is obvious that the organization is not entirely formalized. Some of respondents either picked disagree or strongly disagree to most of the questions, claiming that the company is far from having a professional and formalized structure.

Table 6.4 Responses to Formalization Scale

	Percent of Responses 1- Disagree 5- Agree					**Total**
Statement	1	2	3	4	5	
There is written job description for every position	0	12	4	64	20	25
Employees are supervised to ensure compliance with job descriptions	24	48	8	12	8	25
Most procedures are written	12	36	12	16	24	25
Important communications between departments are documented by memo	24	28	36	8	4	25
Each department's upper managers are experts in their field	16	8	16	56	4	25
Most of the reporting are formal and written	36	28	16	8	12	25
Rewards and incentives are defined by objective criteria	4	8	20	36	32	25
Capital and project expenditure are planned well in advance	8	8	16	44	24	25
Daily decisions are made based on formal company budgets	0	8	20	56	16	25

The most negative answers were on items 2,3,4 and 6. Respondents did not agree on average that most procedures are written and employees are supervised and controlled to ensure they follow their job descriptions. Also, most of respondents disagree that the rewarding and incentives are defined by objective and impartial criteria.

In the third part, the respondents were asked which of the written documentation existed within the company. About half of the respondents said there are written rules and policies in the company. 24% of them said there are written operating instructions. Only 16% of them said there is manual of procedures for machines, software and computers. Less than half of the respondents said there is an employee information handbook and only 28% of them said there is a proper performance reporting system within the company (Table 6.4).

Table 6.5 Responses to Formalization Scale

Questions	Percentage of Employees who said "Yes"
Written rules and policies	56
Written operating instructions	24
Manual of procedures	16
Workflow or project schedule	32
Employee information handbook	40
Performance reporting system	28

According to the results mentioned above, the formalization still seems to be one of the biggest problems of the organizational structure of the company. The roles and responsibilities are not well defined and reporting is not suitably controlled. For instance, most of the employees claim that the hierarchical structure is not clear and they don't know who to report to when there is an urgent manner. As a result, most employees think that there isn't a formal structure (Table 6.5).

6.4.4 Controlling

Due to lack of formalization in the managerial structure, duties and responsibilities of the people inside the company are not clearly defined. There is not a mechanism of controlling. For example, there are no clear rules and limitations in the purchasing system of the company.

The main reason for the lack of coordination and control is that the company does not have a proper hierarchical system. Lowest level employees directly consult to the General Manager in case of any problems and issues. There should be someone before the general manager for consultancy before bringing the issue all the way to the top of the company. For example, when the employee wants a raise in his salary, he must bring this issue to his project manager or chief executive before consulting to the general manager. The main reason of this issue is because the general manager wants to be involved in everything rather than giving full responsibility to others.

Another critical issue about controlling is that the timesheet measurement system is not functioning properly. Although employees and managers fill out their timesheets online at the end of every day, there is not a division or a department that controls these timesheets and prepare periodical performance analysis reports for each employee. When we look at the bright side, it is good that the company has a timesheet measurement system but the missing point here is the controlling and evaluation of these reports.

One of the other important issue related with controlling is the peer evaluation system of the company. Employees evaluate each other every six months and rate them though 1 to 10 for a number of topics. Performance appraisals then evaluated among the directors and the general manager. However, the biggest problem here is the lack of a formal rewarding system. Due to this problem, employees' motivation and their sense of belonging to the organization is affected in a negative way.

Some employees also think that the personnel salaries and bonuses are not determined fairly. This situation causes some employees to feel that their work is not appreciated. According to the consultant of the Case Company, it is very dangerous to have feelings

like unfairness and discrimination within the company. He believes that the upper level managers need to be more transparent with their employees. He said “this problem is vital and needs to be discussed inside the Board of Directors in periodical meetings and actions should be taken to get rid of this sense of unfairness among the employees”.

The managerial problems were discussed and determined through questionnaires, daily observations and meetings. As we have seen so far, there are severe problems related with the four managerial functions that were discussed above. The main source of these managerial problems is the Case Company’s unformalized structure and centralized management system. In the following chapter, results of these questionnaire and related problems will be taken into account by making a SWOT analysis. Then, strategies to change the managerial structure and future goals and steps to achieve these goals will be explained.

6.5 Results and Recommendations – Workshops

Founding partners, section managers, board of directors, family members, project managers and chiefs of the Case Company gathered together a couple of times to discuss the current state of the company by making a SWOT analysis and determining its vision, mission and ethical values, needs for continuity and success.

In these workshops, participants also discuss impacts of institutionalization process, how the transition process is coming along, changing structure of the company and how managers and other stakeholders react to the changing structure of the Case Company. Along with these topics, company goals, future direction and strategies to achieve these goals were also determined and an action plan were prepared at the end of the final workshop.

The two founding partners and brothers conducted these workshops. They formed a steering committee in order to organize and direct the transition of the company. In this chapter, most of the topics of workshops along with firm’s future goals and strategies were

explained. Most of the results were written in bullet points to make the report clear and concise.

The results of the workshops were summarized with the human resources manager and the professional consultant who manage the institutionalization period of the Case Company. The results and findings were analyzed in detail and the most important ones were sorted out and were put into the study.

Each element of the SWOT analysis of the Case Company were analyzed and explained in five different areas; financially, human resources, efficiency and productivity, business development and institutionally. After the SWOT analysis were finalized with long discussions and studies, main goals and strategies to achieve these goals were determined.

When determining the main goals, the founding partners and the professional consultant who conduct the workshop establish different groups with five to seven people. Each group were requested to prepare long-term strategies based on the SWOT analysis made in the earlier workshops. After each group presented their long-term goals, each goal was put to a vote and top five goals including the one about institutionalization of the company were selected. Strategies were also determined with discussions among the participants and selected discussions were approved by the general manager and the BOD of the firm.

At the end of the workshops, an action plan was prepared and recommendations were given in order to speed up the process of the transition period from an entrepreneurial structure into a more institutionalized structure and to achieve long-term goals. The SWOT analysis, goals and strategies were explained in detail in the following part of the study.

6.5.1 SWOT Analysis of the Case Company

A. Strengths

1. Financial Strengths of the Case Company

- The company is able to make crisis analysis. Managers are always cautious about not letting the employees know of any financial crisis.
- Case Company's profit margin and revenue increase every year.
- Project managers are now more qualified and experienced in the collection of progress payments.
- Company managers aim higher revenues every year and higher targets have so far been achieved.
- Cash flow can be provided due to high number and variety of projects.
- High credibility rates among the banks supports the financial management of the company.
- Efficiency of managers in financial department affects the financial management positively.
- High experience in the sector and having experienced contract managers help manage contract prices and financial planning of tenders.

2. Strengths in terms of Human Resources

- Department of Human Resources was established as part of formalization process.
- There are several experienced managers and directors in the company. Also, young and dynamic staff help grow the business.
- The company is very prestigious in the sector and it drives skilled and successful labor to work in the company.
- Case Company invests a lot in the development of their personnel. Many corporate trainings are held inside the company and company personnel are eager to improve themselves.

- Most of the personnel are satisfied with the working conditions.
- Employees think that managers have become more impartial in salary decisions since the company entered into the institutionalization process.
- Case company is sensitive about special days and celebrations. Also, managers are eager to listen their employees' problems and try to find solutions. In some cases, managers financially support their employees as well.
- Bonus system has been improved. Started in 2015, some of the profit is being distributed among the employees.
- Salary payments are made on time and completely. Most of the employees are satisfied with the salary payments.
- Relationships among the managers, chiefs and personnel are well established. Most of the employees have a sense of belonging to the company.

3. Strengths in terms of Efficiency and Productivity

- Case Company includes a wide range of disciplines within its body. Data and information sharing can be made among different disciplines.
- Experience and fund of knowledge increase productivity and efficiency.
- Case company always support its subcontractors. Intimate relations with subcontractors increase effectivity and productivity in projects.
- Managers are good at producing quick solutions to problems and issues that occur simultaneously.
- There is a team spirit among project groups.
- An effort toward institutionalization helps Case Company to increase customer satisfaction.
- Case Company follows up technological improvements and innovations and try to increase the quality of services they provide.
- Newest computer programs, software and equipment are used. Employees get necessary trainings to get familiar with the the products they use.

- Case company invests heavily on Research & Development studies. Company has a independent R&D office to follow up latest developments and technological improvements in the construction sector.
- Case company work closely with academic advisers. Existence of a R&D office in a university campus improves relations with academicians.

4. Strengths in terms of Business Development

- High customer satisfaction and having several long-term customers pave the way for other business opportunities. This situation also supports the company financially while it invests in institutionalization process.
- Bureaucratic relations with the government and several municipalities are well managed.
- Case Company increase its brand awareness as it performs in several well-known projects in the country such as airports, transportation projects, industrial buildings and etc.
- Customer-driven approach in projects improves business relationships with the clients.
- Business Development department improves as the company becomes more formalized and market needs are well investigated to facilitate new business opportunities.
- Increase in the number of disciplines within the company reduces the number of works that are being subcontracted and outsourced.
- Case company leads the way and acts as a pioneer in the market by periodically investing in innovations and technological improvements.
- Case company recently established a marketing department in an effort towards brand awareness. Marketing activities especially in Social Media and Web are increased to reach other markets around the globe.
- Having offices in three biggest cities of Turkey provides a competitive advantage against competitors.

- Most of the project coordinators and project managers have good business relationships with clients which drives other business opportunities.
- Seminars, conferences and trainings related to sectoral improvements and innovations are well followed. Managers make sure that company personnel take advantage of these events.
- A new department called "Strategic Planning and Business Development" is formed. This department will play an active role in business development and contract management.

5. Institutional Strengths of the Case Company

- Case Company is in the institutionalization process and several steps are being taken to professionalize the management system.
- High technical capacity and rooted structural form of the company helps to the transition process of the Case Company.
- Formalization of board of directors and increase in the number of partners also helps institutionalize the company.
- Although the transition has just started, company rules, employee roles and responsibilities are getting more clear and formalized.
- Family members, directors and managers are committed to institutionalize the company and they fully support the process.
- Family members, directors and managers act as initiators and role models for employees in accepting the new structure of the company.
- Family members, directors and managers are experienced and competent; therefore, the transition process is going fast and accurate.
- The company culture is well established by the founders and directors of the firm. Family spirit and family bound contribute to the corporate culture in a positive way.

B. Weaknesses

1. Financial Weaknesses of the Case Company

- There is not a systematic and detailed budgeting system. Therefore, budgetary control needs to be improved.
- Some of project managers focus on technical operations of projects rather than following progress payments.
- Board members and managers set up annual financial goals as revenue oriented rather than profit oriented.
- Targeted profits cannot be achieved in several projects. The Case Company loses money on these projects.
- Employees and lower level managers complain that they are not informed about financial developments of the company.
- Although credits are required to prepare project budgets, managers think that the company uses bank credits more than it needs.
- Contract management is not functioning efficiently. Project expenses and estimated profits are not calculated accurately.
- There isn't a independent inspection unit to control any financial activities.

2. Weaknesses in terms of Human Resources

- In the Case Company, there is a wide range of employee types. Some are highly experienced and some has little experience in the sector. Some managers think that roles and competencies are not distributed fairly.
- There are internal conflicts and disputes among managers and project chiefs.
- Personnel circulation is very high in the company.
- Some managers and directors think that the number of experienced employees is low and experienced employees have high workloads.
- Personnel control mechanism is insufficient. The lack of formality makes control of employees difficult.
- Some of the employees are not motivated enough.
- Unproductive personnel are not being dismissed in the company.

- There are problems of coordination and interoperability among project groups due to lack of vaguely defined roles and responsibilities.
- There is not a formal organization chart in the Case Company. It brings in uncertainties and confusions among the employees.
- Mobile phone use and work breaks are not controlled systematically. Some of the workers take more work breaks than the others.
- Some employees think that some of the project managers have poor leadership skills.
- Department of Human Resources is not effective enough in hiring qualified and experienced personnel.

3. Weaknesses in terms of Efficiency and Productivity

- There is not a concise quality control mechanism for implemented projects.
- There are coordination and interoperability issues among different disciplines working in the same project.
- Some of the issues and problems arise in projects cannot be reached to the upper level managers.
- There are coordination and interoperability issues with subcontractors.
- Business planning is not definite and controlled. Most of the project managers complain about project duration and scheduling.
- When problems and issues arise in projects, it takes a lot of time to find a proper solution, because there is not a systematic structure which defines the responsibilities.
- Overtime hours are not defined clearly. Sometimes employees complain about excessive amounts of overtime.

4. Weaknesses in terms of Business Development

- Department of Business Development is not functioning systematically. There is also high personnel circulation in this department.
- Planning and project management do not have a control mechanism.

- In some cases, project managers act as business development executives.
- In some projects, cost estimation and scope of business are not defined properly which leads project managers to make unsuccessful project budgeting.
- Employees working in the Department of Business Development and Contract Management are not sufficiently competent in contract administration and budgeting.

5. Institutional Weaknesses of the Case Company

- Some of the managers and directors of the company think that the steps of the transition period are too aggressive and find this troubling.
- There is not a formal organizational chart and most of the roles and responsibilities of the company personnel are still not definite.
- Company procedures and company book is not sufficient to have a formal structure.
- Many employees and upper level managers fear and resist change. Some fear that they might lose their power and some find it insulting that their direct contact with the upper level managers and bosses is being decreased.
- Some of the family members fear that the business can't be managed by professionals. They do not trust outsiders to have high power within the company.
- There are signs of lack of coordination and communication between managers and lower level employees. It takes vast amounts of time to fix the misunderstandings between them.
- Some of the personnel and managers misunderstand the meaning of institutionalization.

C. Opportunities

1. Financial Opportunities of the Case Company

- New business opportunities and new markets to grow the business
- Generate employment in locations where the labor force cost is much lower. Decrease the number of employees in places that are expensive.

- Use the income generated to invest in other business opportunities
- Most of the new generation contractors don't have enough expertise which makes them dependent on design and consultancy firms.
- Profit margin can be increased in the projects in which the Case Company has superiority than its competitors.

2. Opportunities in terms of Human Resources

- There are several disciplines within the company and the number of disciplines and areas of specialization of the company are increasing.
- The marketing team of the case company is good at presenting the company's specialties to attract talented recruits.
- Organization chart is updated and provides more opportunities for employees to get promoted.
- Periodically organized construction site visits to improve employees
- Case Company incorporates small-sized companies to expand its services and reach different markets. For instance, software development department of the Case Company recently acquired another software firm to increase its software development business.
- Managers of the case company form different project teams to be involved in different sectors of construction business such as consultancy services, design of bridges, tunnels and etc.
- Managers and owners of the company make contact with high potential university students by workshops and events that are being organized in several different universities around the country.
- Managers and founders are diligent to share their experiences and knowledge with lower level employees and to train them to be better in what they do.
- Founders of the Case Company are committed to change the managerial structure of the firm. They accept to change the managerial system into a more professionalized structure.

3. Opportunities in terms of Efficiency and Productivity

- Managers and project leaders are diligent to share their experience and knowledge with others.
- Founders and the leaders of the firm have close relationships with the academicians.
- Case Company is successful in adapting new technologies and innovations. For instance; in recent years BIM technology is very popular in the world and brings a wide range of advantages when firms use it. Although the technology is not commonly used in Turkey, Case Company already formed a BIM team to implement some of transportation projects on a BIM platform.
- Trustworthy and tight relations with customers could be considered as an opportunity for upcoming tenders.
- Having a software development team who can increase the efficiency of the software's used in project delivery.
- Recession in Europe drives big European firms to find new markets in Turkey and to form partnerships with Turkish firms. Case Company work closely with these firms in some projects and gain experience by analyzing how they implement their works.

4. Opportunities in terms of Business Development

- Establishment of the marketing department and increase in the marketing activities to drive more business opportunities.
- Forming partnerships with qualified foreign firms and be more active in different markets.
- Marketing department does an outstanding job in using completed projects to increase the awareness of the Case Company around the globe.
- Case Company invest in its offices and increase the number of workers.
- There are several business opportunities in Middle East and South-East Asia.

- Having offices in South East Asia increase awareness of the company and creates business opportunities.
- Technical consultants of the firm also have close relations with important clients.

5. Institutional Opportunities of the Case Company

- Founders and family members intend to decrease family involvement in the business and bring in professionals to manage the company.
- Aging of the founders could be considered as an opportunity. They believe that the company is in need of a more efficient system in which there is less need of their involvement in the business.
- Founders, family members, managers and every stakeholder of the company are well aware of the Case Company's high potential to grow in the market.
- Company consultant, family members and people who are involved in the institutionalization process of the company are highly motivated and optimistic for this transition, therefore they support every activity within this framework.
- Having experienced and competent managers and board members help accelerate the institutionalization process.
- Brand value of the company is considerably high.

D. Threats

1. Financial Threats of the Case Company

- Political disputes in the region.
- Foreign investors lose interest in investing in Turkey due to the foreign policy of the current government. It causes construction sector to lose its financial power.
- In recent years, there are almost no private investments in the country. Most of the investments are public and in the future, these investments won't be enough to spin the entire wheel of the construction sector.
- Due to the current economic crisis and recession in Turkey, most of clients delay in making payments.

- Case Company does not have an investment department or professional investors within its organizational structure. Therefore, decision making in investment activities are not professional.
- Some of the projects are tendered in foreign exchange rates and fluctuations in exchange rates are not analyzed and foreseen successfully in the Case Company.
- Rapid growth of the company.

2. Threats in terms of Human Resources

- Personnel circulation is pretty high in the company. Employees are not happy with the current management system.
- In the construction sector, it is not easy to find qualified personnel. Therefore, the company continues to keep the unqualified personnel who have low performance as they can't be replaced.
- In some cases, high qualified personnel resign and work for competitors when they get offered better opportunities.
- Wrong decisions in new personnel selection and a lack of a proper recruitment system.
- Budget and project goals creates high pressure among project stakeholders.
- Training of new personnel is insufficient and experienced personnel can't spend much time in educating the newcomers as they are busy with all the projects.
- Technical information and experience are not transferred to newcomers.
- There is not a proper rewarding system within the company. Newcomers easily lose their motivation when their hard work is not appreciated.
- High costs and time losses on unqualified personnel recruitment.
- Expectations of newcomers can't be match in the workplace. Heavy workload and overtime hours demotivate most of the personnel.

3. Threats in terms of Efficiency and Productivity

- Production and efficiency decreases due to personnel circulation.

- Lack of coordination among different project disciplines.
- In some cases, the Case Company can't adopt to innovations and new technologies in the sector. There isn't enough time to adopt personnel into new technologies and techniques.
- There are insufficient qualified project managers in the company.
- High workload on employees decrease the quality of services offered.
- Project controls and checking of errors are not handled effectively due to heavy workload.
- In 2018, there will be changes in seismic and earthquake regulations. This will cause an adaption problem for most of the engineers in the company.
- New seismic and engineering codes will cause some engineers to make errors in design. These errors may result in tremendous problems and budget losses for the Case Company.
- As the number of people working in the firm grows, time management problems increase accordingly. Disorganized time management causes delays in project schedules.
- Some other competitors adopt to technology and innovations much faster than the Case Company and increase their productivity and efficiency.
- Increasing errors in the design may cause severe damages during the construction phase and harm the reputation of the Case Company.

4. Threats in terms of Business Development

- Heavy workload and high number of projects in the Case Company prevents new business opportunities. Most of high clients in the country are well aware of Case Company's high workload.
- Marketing department was recently established therefore, there is a long way to go to improve advertising activities and to increase the brand awareness of the Case Company around the world.

- As mentioned earlier, Case Company is behind in adopting new technologies and innovations. As a result, new project tenders that need new methods and innovations are lost.
- Political awareness of the Case Company is weak. Most of tenders are lost due to this reason.
- Business development team can't implement new thoughts and plans into the system.
- Case Company's investments in its areas of specialization are decreased.
- Low labor costs in other countries and markets.
- Increase in the number of competitors causes Case Company to lose its competitive advantages and price advantages.
- Scope of services of the Case Company is not wide and flexible.
- Case Company is trying to expand its area of services, however there is always a possibility of failure in new areas of operation.
- In some cases, clients contact directly with Case Company's subcontractors.
- Project managers and coordinators don't have strong relationships with authorities of public institutions.
- Methods and techniques used by the Case Company are often imitated by its competitors.

5. Institutional Threats of the Case Company

- Some of the employees and managers are not believe in the institutionalization process of the Case Company. They are not dedicated to change the system.
- Founders and upper level managers take the transition process too slowly. They are too busy with the heavy workload and don't contribute in the transition process.
- While institutionalizing, some people ignore the foundations of the Case Company's corporate culture.
- Rapid growth of the Case Company causes some employees to lose team spirit.

- Some of the managers and family members are reluctant to give away responsibilities for the next generation.
- Founders do not fully believe in current managers' competence of managing the company.

6.5.2 Case Company - Goals and Strategies for 2025

Target 1: Biggest goal of the Case Company is to establish a more professional and an efficient managerial system.

Strategies:

- Decrease family involvement in the business and bring in professionals and use the existing managers to run specialized functions of the company.
- Train and prepare younger generation and motivate them to be more active in the business. It is certain that they will be part of the management in the future along with the professionals.
- Create a harmony among newcomers and current managing partners to run the entire business.
- Speed up the institutionalization studies and activities in the firm.
- Commit the ones who are not dedicated for this transition process.
- Make the steering committee which was already formed to organize and lead the managerial transition process of the Case Company to be more productive.
- Family members of the next generation need to be prepared and be aware of their responsibilities.

Target 2: Within 3 years, finalize the managerial structure of the company. Decide whether professionalize the company or continue with the current managing staff and train the newcomers.

Strategies:

- Measure the capabilities of the current managers and develop an action plan to hire other professionals as managing partners if it deems necessary.
- Consider other options for the sake of the company such as to find investors and sell partial shares of the company or to hire a professional CEO to run entire business.
- Train the second generation and determine whether they are suitable to take partial control of the company. If not, distribute a larger portion of shares among other managing partners.
- Determine the retirement period of the founding brothers. Prepare an action plan covering the time until their retirement.

Target 3: By 2025, triple the company revenue and increase net profit by 10%.

Strategies:

- Complete at least three projects worth more than 10 million USD in foreign markets.
- Open up at least one office in a foreign country.
- Increase the company brand value by investing in marketing activities and building stronger relations with clients.
- Increase the number of qualified personnel and production efficiency.
- Invest in technological advancements and innovations.

Target 4: Within five years, carry-out projects located in South East Asia.

Strategies:

- Establish a brunch office in South East Asia.
- Make detailed marketing research and make list of potential customers and international construction firms which are active in the market.
- Find local experts and potential subcontractors to enter into the market.

Target 5: By 2025, have at least 50% market share in related sectors of Turkey such as design and consultancy.

Strategies:

- Establish and prioritize the main markets.
- Invest in the business development department of the company
- Improve relationships with every Turkish clients and construction firms
- Invest in the Research and Development department and increase superior qualities and specialties to compete stronger against other competitor firms.
- Find foreign investors or partners and establish partnerships and consortiums to win more tenders.

CHAPTER 7

DISCUSSION OF FINDINGS

In this study, case company's life cycle and overall situation had been analyzed in order to find a suitable solution to the problem. As it was mentioned in the first chapter, siblings have to work in collaboration and preserve family values and try to carry the family business into a more successful enterprise. When we look at the Case Company, we can see that the founder siblings work harmoniously and put aside their egos and dedicated their lives for the good sake of the company. However, they are aging and their departure will bring in problems and difficulties if certain actions are not taken.

In addition, the Case Company was observed through questionnaires and interviews made among employees and managers to analyze the framework. It helped tremendously to find out what employees think about the company and how they approach to the company's transition period and the challenges it faces. As a result of the questionnaires, majority of employees believe that the company is highly centralized between the founder brothers and a more formalized structure is necessary for the survival of the Case Company.

In this path, many actions had already been taken by the Case Company and the founders such as establishing a human resources department, changing the organizational structure and control mechanism of the company, publishing written rules, organizing workshops to discuss how to handle the transition period and hiring a professional consultant to get guidance in this matter. Therefore, employees are still optimistic that the Case Company can change and become more institutionalized.

At the end of the study, workshops were held among section managers, founding partners, family members and the professional consultant of the Case Company. They periodically gathered together to discuss the current state of the company by making a SWOT analysis

and determining its vision, mission and ethical values, needs for continuity and success. In these gatherings, institutionalization process of the company, changing managerial structure and expected outcomes were the main topics covered. Along with these topics, long-term company goals and strategies to achieve these goals were determined and an action plan were prepared.

Several long-term goals were determined in these workshops such as establishing a more professional and an efficient managerial system, finalizing the managerial structure of the company, tripling the company revenue and carrying out projects in foreign markets. These goals could only be achieved with a proper institutionalization process and a professionalized management structure. Founding brothers need to take all the necessary actions and not tolerate such behaviors which are against the transition process. They should work with the ones who are on board and eliminate others who are not willing to change. Lastly, they must believe in the fact that the management structure can and must change and that they can't manage the company forever.

SWOT analysis was the most helpful method to analyze the overall situation of the Case Company. It needs to be made among upper level managers, directors, owners and family members of a family business. With SWOT analysis, founders, managers and directors determined that the company is ready to change and to institutionalize its structure. Strategies and long-term goals can also be determined with a proper SWOT analysis (Piercy and Giles 1989). After making a SWOT analysis and determining the internal and external factors of the company, founders, upper level managers, directors, BOD and family members established company's long-term goals and strategies to achieve these goals. Finally, an action plan was prepared to execute the determined strategies.

As a result of these studies, all the members of the Case Company came into conclusion that institutionalization of the management is necessary for the continuity of the Case Company. Although the company is very prestigious and well-known in the sector, most of the success were achieved by the two brothers, founders of the company. When the time comes and they leave the business, a more formalized and decentralized managerial structure has to be ready and functional soon after their departure. In order to maintain a

successful transition periods, several recommendations were made for family firms. These recommendations are stated in the following chapter of the study.

CHAPTER 8

CONCLUSIONS

In the history of family businesses, most of them suffer from a continuity problem. As it was mentioned in the first chapter of the case study, majority of family businesses fail to continue its operations and/or go bankruptcy after the first generation retires or departs from the business. In this study, one of the biggest goals was to show the importance of institutionalization concept rather than dwelling on the problem of succession. Although the founders are irreplaceable in most cases, the company can still survive after their departure with a proper institutionalization process.

As it was mentioned earlier, construction sector is one of the most difficult sectors to operate in. Because, technology changes and developments affect the businesses tremendously especially in this sector. Firms need to adopt to the new environment and to keep up with the technology if they want to survive and to continue their operations for decades. Firms that can't keep up with the technology basically lose their competitive advantages against their competitors and collapse. Therefore, family businesses who are involved in the construction sector needs to deal with more issues than any other firms in other sectors.

Besides the issues mentioned above, family members also face institutionalization process at a certain time in their lifetimes in order to sustain their business' continuity. Institutionalization is the biggest challenge family businesses face and a systematic approach is necessary to overcome the challenge. In this case study, a family business during a transition period had been observed and several lessons and critical success factors were indicated through an exploratory study. These recommendations below are

stated to aim helping other family businesses when facing their inevitable transition period: institutionalization.

As a result of the Case Study, several lessons were learned for family businesses especially in the construction sector. Here are the main recommendations for other family firms which prepare to take certain actions to institutionalize their structure;

Recommendation I: Every company needs to change. In some cases, doing nothing wrong is not enough to survive in this competitive environment. In here, I would like to mention one of my favorite quotes, "If you don't change, you shall be removed from the competition". In my opinion, every family member and managers of this firm should understand the importance of this sentence. A company to show as great example here could be Nokia. Like his CEO said during his press conference "we didn't do anything wrong, but somehow, we lost" (Gupta, 2016). For years, Nokia had been a successful and respectable company, but the world and the competition change so fast. Their opponents were too strong and kept with the changing technology. As a result, Nokia lost its chance of survival. This story should be a lesson to learn for every firm seeking to achieve long-term success and survival.

Recommendation II: Every single personnel and manager needs to be fully dedicated and committed to the transition period. People who are not dedicated and resist to change should be warned and if they insist on resisting, they should be excluded from the organization.

Recommendation III: SWOT analysis is to key to determine whether the company is ready to change. By making a SWOT analysis, founders and managers can easily observe whether the company is ready to face the transition period or not. SWOT analysis needs to be made among upper level managers, directors, owners and family members of a family business.

Recommendation IV: Strategies and long-term goals should also be determined along with the strategies to face the transition period. After making a SWOT analysis and determining the internal and external factors of the company, founders, upper level managers, directors, BOD and family members need to gather together and establish long

term goals and strategies to achieve these goals. Finally, an action plan should be prepared to execute the determined strategies.

Recommendation V: In an institutionalizing family firm, the founder needs to be willing to transfer his responsibilities and powers. The reluctance of the founder to leave the business is a major problem which could be seen in many family-owned companies. In most cases, the founder does not want to transfer his power to the next generation or any other shareholder in the firm. The main reason which makes it difficult for the founder to leave the business is the dilemma of what he will do after retirement. The founder should also be fully dedicated for the transition period.

Recommendation VI: Next generation of the family should be trained and be well prepared before facing the transition period. Succession and passing the leadership/management is a long-term process and takes time. Although the firm is chosen to be professionalized, the succession period still needs to be done for the next generation to hold some of firm's management in the hands of the family.

Recommendation VII: A proper financial planning to deal with a transition process is necessary. Financial resources should be generated for several activities. Internal trainings about institutionalization should be given to employees and managers. In addition, directors, managers and upper level chiefs need to get together a couple of times to discuss and to determine strategies, goals and to make a company analysis. Also, a professional expert needs to be hired to lead the institutionalization process. All these necessities are considerable amount of costs and a proper financial planning needs to be made prior to transition period to handle these costs.

Recommendation VIII: A professional expert should be hired to manage the institutionalization process. In this case study, the professional expert had been managing the transition period for more than two years and had been leading all employees, family members and managers to manage the transition process. He contributed very positively so far and already professionalized the company is many ways. Other family firms should adopt this technique to hire a consultant to run the entire transition process.

As a final word, I would like to mention the importance of family businesses and their role in the economy. Especially in Turkey, family-businesses lay the foundations of the Turkish economy. So, it is vital to organize more trainings, workshops, gatherings and symposiums to educate the younger generation who are involved in family businesses and to prepare them for the inevitable transition period that they will all face at least once in their lifetime. In this study, only a single family-owned firm had been analyzed and studied. Therefore, more studies and researches should be done to test the functionality and usefulness of the recommendations given above.

REFERENCES

Alacıkoglu, Haluk. (2004) “Aile Şirketlerindeki 5 Erdem”, Capital Dergisi.

Alam, Syed Shah. (2011) “Entrepreneur's Traits and Firm Innovation Capability: An Empirical Study in Malaysia”, Asian Journal of Technology Innovation.

Alayoglu, Nihat. (2003) “Aile Sirketlerinde Yonetim ve Kurumsallasma”, Musiad Yayınları Yonetim Kitapcigi.

Azmi A. M., O. Nik Hairi, K. Y. Lee, I. Fauziah. (2012) “Entrepreneurs Success In Business: Some Critical Factors”, The National University of Malaysia.

Barclays Wealth. (2010) “Volume 8: Family Business: In Safe Hands”, In Co-operation with the Economist Intelligence Unit.

Barnes, B. Louis, Simon A. Hershon. (2000) “Transferring Power in Family Business”, Harvard Business Review and Harvard Business Publishing Newsletter

Beckhard R., Dyer, W.G. (1983) “Managing Continuity in the Family Owned Business”, Organizational Dynamics.

Bozkurt, Unal. (1997) “Aile Şirketleri Daha mı Başarılı?”, Milliyet Gazetesi.

Christman, James J., Chua, Jess H., Sharma, Pramodita. (1998) “Important Attributes of Successors in Family Business”, Family Busines Review

Caliskan, Sebnem (2008). “Overview of Family Business Relevant Issues”, European Comission Enterprise and Industry Directorate General.

Davis, John. (2016). “Family Firm Institute INC. Family Enterprise Statistics Around the World”, Harvard Business School.

Dyer, W. Gibb. (1986) “Culture and Continuity in Family Firms. Anticipating and Managing Business and Family Transitions”, San Francisco: Jorsey Bass

Dudowsky, John. (2017) “Case Studies. Research Methodology. Necessary Knowledge to Conduct a Business Research”.

Dunya Gazetesi. (2012) “Elti Kavgası Şirket Kapattırıyor”.

Economic and Strategic Research Center Department. (2005) “Genel Sanayi ve İşyerleri Sayımı. İmalat Sanayi Degerlendirmesi”, Küçük ve Orta Ölçekli Sanayi Geliştirme ve Destekleme İdaresi Baskanligi

ENR Top 250 Engineering News Record. (2015) “The 2015 Top 250 International Contractors”, Engineering News Record

ENR 2017 Top 225 International Design Firms. (2017) “Engineering News Record”, Top 225 International Design Firms.

Findikci,, İlhami. (2005) “Aile Şirketlerinde Yönetim ve Kurumsallaşma”, Alfa Yayınları

Fleming, Quentin. (2000) “Keeping the Family Baggage Out of the Family Business: Avoiding the Seven Deadly Sins That Destroy Family Businesses”, A Fireside Book.

Gersick, K.E., Davis, J.A., McCollom Hampton, M., Lansberg, I. (1997) “Generation to Generation – Life Cycles of the Family Business”, Harvard Business School Press.

Gupta, Rahul. (2016) “Nokia CEO Ended His Speech Saying This – We Didn’t DO Anything Wrong, But Somehow, We Lost”, Presales Consultant.

Guler, Eren. (2010). “Aile Şirketlerini Bekleyen Büyük Tehlike”, Hürriyet Gazetesi - Hürriyet.com.tr.

Handler, Wendy C. (1991). “Key Interpersonal Relationships of Next Generation Family Members in Family Firms”, Journal of Small Business Management.

Hanks, S. H., C. J. Watson, E. Jansen, G. Chandler. (1993). “Tightening the Life Cycle Construct”, Entrepreneurship Theory and Practice.

Karpuzoglu, Elif. (2002). “Büyüyen ve Gelişen Aile Şirkelterinde Kurumsallaşma”, Hahat Yayınları Yönetim Dizisi.

Kimhi, A. (1997). “Intergenerational Succession in Small Family Businesses: Borrowing Constraints and Optimal Timing of Succession”, Small Business Economics

Kırım, Arman. (2003). “Aile Şirketlerinin Yönetimi”. Sistem Yayıncılık. İkinci Baskı.

Konopaski, Michael. (2015) “How Family Business Members Learn About Continuity”, University of Ontario Institute of Technology.

Madsen, Dag Olivind. (2016) “SWOT Analysis: A Management Perspective. International Journal of Business Research”

Ministry of Turkey. (2015) “Turkish Contracting in the International Market”.

Moen, Phyllis. (1996) “A life Course Approach to the Entrepreneurial Family”, Cornell University Entrepreneurial Family. New York City.

Murphy, Mark. (2014) “What Are the Benefits and Drawbacks of Case Study Research”, Social Theory Applied.

Nelson, Brett. (2012) “The Real Definition of Entrepreneur and Why It Matters”, Forbes Entrepreneurs**.**

O’Sullivan, M; Koutsoukis A. (2008) “The Life Cycle of Family Businesses”.

Ozalp, San. (1971) “Küçük İşletmeler”, Eskişehir İktisadi ve Ticari Bilimler Akademisi Yayınları.

Ozcan, Lutfi. (2015) “Aile Şirketleri ve Kurumsallaşma”, Aile İşletmeleri Kavramı ve Kapsamı.

Ozorhon, Beliz; Sevilay Demirkesen. (2014) “Analysis of International Competitiveness of the Turkish Contracting Services”.

Peiser, Richard; Leland Wooter. (1983) “Life Cycle Changes in Small Family Businesses, Business Horizons.

Pickton, D. W; Wright, S. (1998), “What's SWOT In Strategic Analysis?”, Strategic Change.

Piercy, N.; Giles, W. (1989) “Making SWOT Analysis Work, Marketing Intelligence & Planning,

PricewaterhouseCoopers. (2007) “Making a Difference”, The Pricewaterhousecoopers Family Business Survey.

Quinn, Robert; Kim Cameron. (1983) “Organizational Life Cycles and Shifting Criteria of Effectiveness”, Some Preliminary Evidence. Management Science.

Rizo, Mario; Bordon Luciano. (2017) “Seven Ways Family Firms Can Avoid Failure”, Grandthornton Global.

Rouse, Margaret; Pratt, Mary K.; Tucci, Linda. (2007) “SWOT analysis (Strengths, Weaknesses, Opportunities and Threats Analysis)”.

Rowley, Jennifer. (2002) “Using Case Studies in Research”, Management Research News. Semantic Scholar.

Saunders, M; Lewis, P; Thornhill, A. (2000) “Research Methods for Business Students”, Harlow Pearson Education

Selznick, Philip. (1996). “Institutionalism: Old and New. Administrative Science Quarterly”, Johnson Graduate School of Management. Cornell University.

Shrader, Charles B; Mulford, Charles L; Blackburn Virginia L. (1989) “Strategic and Operational Planning, Uncertainty and Performance In Small Firms”, Journal of Small Business Management.

Taguiri, Renato; Davis, John. (1971) “On the Goals of Successful Family Companies”. Family Business Review.

Tellis, Winston. (1997). “Introduction to Case Study”, The Qualitative Report, Volume 3.

TCA. (2011) “Turkish Contractors Association”, Turkish Construction Industry – Vision 2023.

Walter, J. (2009) “Strategic Succession Planning in the Family Business”, A guide for Executives. Gatton Student Research Publication.

Ward, John L. (1987) “Keeping the Family Business Healthy. How to Plan For Continuing Growth, Profitability, and Family Leadership”, San Francisco: Jossey Bass.

Weelen, Thomas; Hunger, David. (1997), “Strategic Management and Business Policy, Globalization, Innovation and Sustainability”, Mass: Addison Westley.

Yin, R.K. (1984), “Case Study Research: Design and Methods”, Beverly Hills, California Sage Publications.

Zainal, Zaidah. (2007), “Case Study as a Research Method”, Faculty of Management and Human Resources Development, University Teknologi Malaysia

APPENDIX A

A: COMPANY STRUCTURE QUESTIONNAIRE

I. Aşağıdaki maddelerin her birine ne kadar katıldığınızı sağ taraftaki kutucuklarda işaretleyiniz

1=Kesinlikle katılıyorum
2= Katılıyorum
3=Kararsızım
4=Katılmıyorum
5=Kesinlikle katılmıyorum

	1	2	3	4	5
1. Her pozisyon için yazılı iş tanımları mevcuttur.					
2. Yazılı iş tanımlarına uyulup uyulmadığı sık sık yöneticiler tarafından denetlenir.					
3. Şirketteki kural ve politikaların çoğu yazılıdır.					
4. Departmanlar arasındaki bilgi geçişleri yazılı notlarla belgelenir.					
5. Her bir departmanın üst yönetim kadrosu uzmanlardan oluşur.					
6. Raporlamalar resmi ve düzenli olarak yapılır.					
7. Ödül ve primler objektif ve sistematik kriterlere göre verilir.					
8. Sermaye ve proje harcamaları çok önceden planlanır					

II. Çalıştığınız şirketin yapısı nasıldır? (Birini işaretleyiniz)

___ Basit Yapı: Kurucu/Yönetici çoğu kararları verir. Yöneticileri, alt yöneticiler yardımcı olur. Bölümler ya da departmanlar yok.

___ Fonksiyonlara göre: Değişik departmanlar vey a fonksiyonel yapılar var. (Mühendislik, mimarlık, pazarlama, halkla ilişkiler, satış gibi)

___ Bölümlere göre: Değişik ürünler, pazarlar, ya da faklı ülkelerde değişik gruplar, birimler var

___ Diğer (Açıklayınız):_____

III. Aşağıdakilerden hangileri şirketinizde mevcuttur?

	Var	Yok
1. Yazılı kurallar	___	___
2. Makinaların kullanım kuralları	___	___
3. Yönetmelik kitabı	___	___
4. İş akışı çizelgesi	___	___
5. Çalişan bilgi kitapçığı	___	___
6. Performans raporlama sistemi	___	___

IV. Şirketinizde yönetim tarafından verilen stratejik kararlar ne ölçüdedir?

a. Girişimcidir (Kararlar bir kişi tarafından kişisel yargılarına göre verilir)
b. Profesyoneldir (Kararlar uzmanlar ve yöneticiler tarafından verilebilir)

1. Her zaman girişimci ___
2. Genellikle girişimci ___
3. %50 profesyonel %50 girişimci ___
4. Genellikle profesyonel ___
5. Her zaman profesyonel ___

V. Şirketinizde aşağıdaki alanlardan sorumlu en az bir kişi varsa o alanı işaretleyiniz.

	Var
1. Halkla İlişkiler	___
2. Bina bakımı ve teçhizat temini	___
3. Müşteri / Ürün Hizmetleri	___
4. Personel	___
5. Pazarlama	___
6. Hukuk	___
7. İş Geliştirme	___
8. Sözleşmeler ve Hakkediş	___
9. Muhasebe	___
10. Envanter Kontrolü	___
11. Mühendislik	___
12. Güvenlik	___
13. Finans	___
14. Bilgi İşlem	___
15. Araştırma Geliştirme	___
16. Personel eğitimi	___
17. Kalite Kontrol	___
18. Hukuk	___
19. Pazar Araştırması	___

VI. Aşağıdaki konularda karar alınmadan önce onayı alınması gereken mercii kimdir? (Uygun merciinin numarasını yazınız.)

0= Yönetici olmayan kimse

1= En alt düzey yönetici / şef

2= Departman müdürü

3= Grup Şefi ya da Proje Yöneticisi

4= Genel Müdür ya da Yönetim Kurulu

___ Çalışanın terfi ettirilmesi

___ Yeni bir ürün ya da hizmet alımı

___ Bütçe dışı harcamalar

___ Bir çalışanın işten çıkarılması

___ Bir projenin bütçesinin belirlenmesi

___ Çalışan primlerinin belirlenmesi

___ Yeni bir proje başlatma

___ Performans değerlendirmelerinin belirlenmesi

VII. Şirketin belirli bir kültürü ve etik değerleri var mıdır? (Birini işaretleyiniz)

___ Şirketin etik değerleri çok yüksektir. Şirketin belirgin bir kültürü vardır.

___ Mevcut şirket kültürü ve şirketin etik değerleri iyidir. Çalışanı motive etmektedir.

___ Çok belirgin bir şirket kültürü yoktur.

VIII. Çalışma koşulları konusundaki görüşleriniz nelerdir? (Aşağıdaki maddelerden her birine ne kadar katıldığınızı sağ tarafdaki kutucuklarda işaretleyiniz)

1=Kesinlikle katılıyorum

2= Katılıyorum

3=Kararsızım

4=Katılmıyorum

5=Kesinlikle katılmıyorum

	1	2	3	4	5
1. Kendimi bu şirkette güvende hissediyorum.					
2. Çalışma koşullarından son derece memnunum.					
3. Çalışma arkadaşlarıyla ilişkilerim gayet iyi.					
4. İşimden memnunum. Bu şirkette uzun yıllar kalmayı düşünüyorum.					
5. Aldığım ücretten son derece memnunum.					
6. Ayrımcılık, kayırma ve ötekileştirme duygularının bu şirkette yeri yoktur.					

APPENDIX B

RESPONSES TO COMPANY STRUCTURE QUESTIONNAIRE

Table B.1 Company Structure (Part I)

Type of Structure	**Percentage of Respondents**
Simple Structure (There are no functions and division inside the company)	8%
Functional Structure (Departments such as engineering, architecture, finance, human resources)	88%
Divisional Structure (Variety of products and markets)	4%

Table B.2 Formalization Scale (Part II)

	Percent of Responses 1- Disagree 5- Agree					Total
Statement	1	2	3	4	5	
There is written job description for every position	0	12	4	64	20	25
Employees are supervised to ensure compliance with job descriptions	8	12	24	48	8	25
Most procedures are written	12	16	12	36	24	25
Important communications between departments are documented by memo	4	8	36	28	24	25
Each department's upper managers are experts in their field	16	56	16	8	4	25
Most of the reporting are formal and written	8	12	16	36	28	25
Rewards and incentives are defined by objective criteria	4	8	20	36	32	25
Capital and project expenditure are planned well in advance	8	8	16	44	24	25
Daily decisions are made based on formal company budgets	0	8	20	56	16	25

Table B.3 Responses to Part III

Questions	Percentage of Employees who said "Yes"
Written rules and policies	56
Written operating instructions	24
Manual of procedures	16
Workflow or project schedule	32
Employee information handbook	40
Performance reporting system	28

Table B.4 Responses to Strategic Decision-Making Scale (Part IV)

Strategic Decision Making	Percent of the Respondents
Completely entrepreneurial	52%
Usually entrepreneurial	12%
50% professional %50 entrepreneurial	24%
Usually professional	8%
Completely professional	4%

Table B.5 Responses to Decision-Making Scale (Part VII)

1: Lower Level Managers **2:** Department Manager
3: Project Manager / Chiefs **4:** General Manager / BOD

Questions	Number of Responses				Total
	1	2	3	4	
Promotion of an employee	0	0	8	17	25
New product or service purchase	0	2	9	14	25
Expenses excluded from the budget	0	1	9	15	25
Dismissal of an employee	0	0	6	19	25
Determining a project budget	0	0	12	13	25
Rewarding employees	0	0	16	9	25
New project start	0	0	2	23	25
Performance evaluation criteria	0	4	12	9	25