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## Social Change and Entrepreneurship in Turkey: A Review of National Development Policies

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## **Social Change and Entrepreneurship in Turkey: A Review of National Development Policies**

The importance of entrepreneurship in a social structure results from the characteristics of entrepreneurs in determining the needs of a society and making investments in that area. Therefore, entrepreneurship is one of the most important factors of the progress for any social structure. On the entrepreneurship, the science of economics gives increasing importance to the characteristics of social structure. This situation has similar importance on the requirements of entrepreneurship. Two points should be considered in this context while analyzing entrepreneur behaviors. The first one is that entrepreneurship and entrepreneurs works with which social perception. The second one is that whether entrepreneurship and entrepreneurs use social environment they are in with different social groups.

Beginning the transitional period from the industrial society to knowledge society in the world, the view of small enterprises can ensure competition efficiency and harmonization in especially social production area has become common. Therefore, ‘small and medium enterprises’ (SME) are started to be seen as enterprises that can accommodate changing conditions and fill demand gaps in the society quickly because of their dynamic structures. The importance of SMEs that involve great flexibility and productivity together at the international scale increases gradually. Thus, every country creates its own SME. Accordingly, this subject should be considered in terms of social culture since the SME-society relation involves originality for every society.

Existing SME literature deals with SMEs independently from cultural structures of societies and considers them under the dominant economic theory. Thus, a standard SME and entrepreneur model approaching to all SMEs in all societies of the world with the same point of view occurs. Within the scope of the study, Turkey’s process of social change was separated into mainly three terms starting from 1960 when the industrialization and urbanization rate increased. The effects of social structure characteristics of the terms on entrepreneurship are discussed. The discussion analyzes the policies of 9 different national development plans prepared by the governments and tried to be implemented in the terms between the years of 1963-2013 called as planned period and started at the same years in Turkey. This presentation is aimed at described the reflection of these policies, which are tried to be evaluated with social, economic, and spatial dimensions, on the local entrepreneur and local production spaces.

**Key Words:** Entrepreneurship, SME, development, policy analysis, Turkey

## **The Entrepreneurship Concept and the Determination of Entrepreneurship Process**

Although entrepreneurship is a multidisciplinary concept, it covers almost everybody from an individual to the whole of the society. The mutual purpose of entrepreneurship studies is to explain the role of new enterprises in increasing the economic development and make this process easier. Aldrich and Martinez (2001) state that understanding how and why some entrepreneurs succeed in their enterprises is a very important difficulty in entrepreneurship studies. Gartner and Gatewood (1992) point out that the powerful synergy formed by new ideas and viewpoints is developing to create a new understanding about the entrepreneurship concept. The studies conducted about entrepreneurship have tried to find out and define the motives that carry organizations to success.

Schumpeter (1934) matches the entrepreneurship concept with the “innovativeness” concept that is adopted to the organizational context. He suggests that entrepreneurship is the driving force of the economy and the entrepreneur is inclined to break the current balance by introducing innovations in the form of new production methods and new markets to the system. Kirzner (1973) and Drucker (1985) define the entrepreneurship as adding the capacity to produce new wealth to the current resources, and as an innovative action that includes discovering new opportunities, which is a similar definition to that of Schumpeter’s.

The entrepreneurship process is defined as the bringing together the sources and integrating them to make use of all functions, activities and actions related with the perception of new opportunities, and forming the organizations to follow these opportunities. The relation between entrepreneurship and opportunities is emphasized. Shane and Venkataraman (2000) define the entrepreneurship as examining how and by whom the opportunities necessary for the creation of future products and services are found, assessed and made use of.

Cole (1968) defines entrepreneurship as the starting, sustaining and developing processes of the profit-focused work. Gartner (1985) defines entrepreneurship as creating new institutions. This shows that entrepreneurship is a process rather than a situation. Low and MacMillan (1988) attracts attention to the entrepreneurship situation. In this context, it is possible to suggest that entrepreneurship is composed of and affected by some complex elements such as change management, innovativeness, technological and environmental chaos, developing new products, management of small enterprises, individuality, and industrial evolution. What is more, this concept may be enriched by the viewpoints of many disciplines each of which bringing separate definitions related with their own fields such as

economy, sociology, finance, history, psychology and anthropology. Considering the abovementioned facts, it must be emphasized that it is difficult to reach a mutual definition and a clear conceptualization of entrepreneurship.

Although there is not a general definition of entrepreneurship, the definition by Stevenson and Jarillo (1990) has been used commonly in studies in this field: “Entrepreneurship is a *watching the opportunities process* by the individuals who act alone or in favor of an organization, without staying limited with the current sources.”

The increasing importance of understanding social and structural properties in terms of economic life is also effective on the properties, which must be included in entrepreneurship concept. The importance of entrepreneurship in a social structure is because the entrepreneurs in that society determine the needs of the society, make investments to ensure that these needs are covered, and play active roles in providing the social welfare. For these reasons, entrepreneurship is one of the most important factors for development in a social structure. The relation between entrepreneurship and social structure makes two points be regarded as very important because of the viewpoint which suggests that the entrepreneur carries both social and cultural values and reflects them to his/her behaviors in industrial and entrepreneurship activities. The first point is about the social perception of the entrepreneur (his/her mental structure and connections); the second point is about the entrepreneur’s using the social environment in relation with different social groups (ability to establish bridges) (Şimşek, 2008).

Since the properties of the entrepreneurs are different because the society they live in has some differences, the social structure and the typology of an entrepreneur which develops based on this structure becomes interrelated with the *socialness level* of the society. The skill of an entrepreneur in terms of cooperative work changes in accordance with the viewpoint of the society about cooperation. The abovementioned arguments reveal the fact that each society must be assessed in terms of its own socio-cultural structure. This situation gives rise to the development of social relations in terms of human-group-society interaction in an organizational sense and therefore entrepreneur typologies come to the forefront with a strong emphasis in terms of their differences rather than their similarities (Şimşek, 2008).

With the transition from the industrial society to the beyond-industrial society in the world, the viewpoint has become common which suggests that small enterprises will ensure the competition and agreement especially in the social productivity field in a healthy manner.

This viewpoint has made many large-scale companies to give up the struggle to reach to the scale economy, and made them to assess the opportunities in the market with small enterprises in indirect ways and decrease the risk factor to a minimum level. Therefore, the small and medium scale enterprises (SMEs) have become to be regarded as the enterprises which would fill the *demand gaps* in the society in a speedy manner because of their dynamic structures which can keep pace with the changing conditions. The SMIs which include high flexibility and high efficiency together have become important in international scale. This has caused the SMIs of each country to become noticed. The SME - Society relation having specific genuine points for each society has made it necessary to handle the issue in a cultural viewpoint. Because, although being a small organization brings flexibility, the enlargement stops in a certain point unless cooperative skills develop.

The current SME understanding deals with the SMEs as a structure independent from the cultural structures of the societies, and assesses it within the main economic theory (neoclassic economy). This gives rise to a standard entrepreneur model which approaches the SMEs in all societies in the world with the same viewpoint. In the light of these facts, it becomes obvious that production organization does not stay within the limits of the interest areas of economy, but affects the working habits and entrepreneur behaviors which are embedded in the social life as a field with sociological contents. For these reasons, the importance of the studies in which not only economic relations but also the features of the social structure are the main topics for regional economic development will gain more importance in the assessments about our country. In this context, the social change process in Turkey needs to be handled briefly in terms of capital accumulation.

### **Change and Entrepreneurship in the Economy of Turkey**

The change process which Turkey has undergone has been handled in the scope of Five-Year National Development Plan which is defined as the “Planned Period”. The targeted policies have not been performed in the full sense of the word within the planned period. However, the policies which have been proposed within the development plans are important in that they show how the economic relations were assessed in the relevant periods.

One of the features of the development plans in Turkey is that they are mandatory for the public sector and are instructive for the private sector. For this reason, as long as the public sector has kept its importance in the economy, the plans have always kept their instructive properties. As the private sector became larger, the effect of the plans decreased in

time. When the fact that one of the purposes of the plans is to ensure a private capital accumulation is considered, the plans of Turkey have entered a process which “destroyed itself in a prolific manner”. Today, the plans are only considered as a legal formality and an economic survey. When the First Five-Year Development Plan of 1963 is considered, it is observed that this plan was tried to be made functional and effective within a 15 years’ perspective. The population was 27.8 million in Turkey in 1960s, and the country was an agricultural country. 71% of the population lived in villages. This situation naturally gave rise to an *import substitution approach* in manufacturing sector for the policy makers. The period after 1960s also includes important social events for Turkey. For this reason, assessing the planned period by considering the conditions in those times will make it easier to understand the entrepreneurship concept (Türkcan, 2009).

One of the defining social events of the planned period was, without doubt, the 1960 military coup. This military coup may be assessed as a further step of organizational conversion whose first steps were taken with the joining of Turkey to the NATO in 1952 with the Marshall Plan which was triggered by the 1929 crisis rather than being a fracture in the history of Turkish economy. The process which started in 1950s was related with the inclusion of Turkey in the productive-capital cycle, which, formerly Turkey was excluded from, and was established with the “national development” principle which reached its maturation during the former period. This period lost its sustainability with the OPEC Crisis in 1977, and the transformation gained speed with the military coup in 1980.

In this process, the Fourth Five-Year Development Plan (1979-1983) was accepted in Turkey. The Fourth Plan may be accepted as the last classic plan in Turkey. It was planned in a period in which great economic distress and transformations were taking place both in Turkey and in the World. In the second year of its planning, it was abolished due to the economic liberalization program which required the technical and ideological planning concept to be set aside and due to the harsh management declared in September 12, 1980 to gain the political control over the application of this program. Economic liberalization, which took place with the January 24, 1980 Decrees, may be assessed as the joining of Turkey to a globalization process which cared about activities and companies which aimed to earn currency, and leaving the model in which Turkey had an import-substitution, half-closed and protective economic structure (Türkcan, 2009).

After these events, it became inevitable for the petroleum prices and other prices in the world to be reflected to the economy and to Turkish Lira more easily and faster; and in this way, the relative prices became upside down.

In the period after 1977, Turkey became included in the money-capital cycle in a fast pace. In this context, each period referred to a new commodification wave. The inclusion in the commodity-capital cycle brought the commodification of the soil; the inclusion in the productive-capital cycle brought the commodification of the labor; and the inclusion in the money-capital cycle brought the commodification of the money. In Public Debts Administration (Duyun-u Umumiye) period, the value of the money was determined by an international commission; however, with the Republic of Turkey, this authority was transferred to the national government. The Bretton Woods System broadened the limits of this authority and made the value of money to become an issue of political considerations in the world markets. When considered in this context, the “non-commodity” status of money has been protected with different institutional regulations since the Ottoman Era.

For this reason, the January 24, 1980 Decree is one of the important steps of the commodification process of the money rather than being an “outward movement”. This process led to the capitalization of productive-capital, which had been accumulated since 1950s, and increased the amount of export. The joining to the global money-capital cycle developed faster than the previous two processes; and with the April 5, 1994 Decrees, which can be considered as a milestone, the inclusion of Turkey in the global money-capital cycle was completed in great deal.

The distinctive characteristics of this period is that the control of the state over money-capital was abolished. The result which was led by this new situation was that the decisiveness of the economic policies of the state became less effective. The state here is considered as the basic mechanism that will ensure the continuation of the Republic of Turkey as a “single unit” in terms of industrial relations. Under these conditions, the cities in Anatolia were able to act as independent accumulation units. The cities which had entrepreneurs with productive-capitals overtook the other cities and became integrated with the world markets. In conclusion, Turkey was included in the global money-capital cycle in 1977-1994 period, and completed her “capitalization” process in great deal. The new conditions of the period brought the transformation of the functions of the cities in terms of industrial relations. Therefore, the production relations and the chronology of the corporal conversions complement each other.

Many of the conflicts in the literature about periodization are the products of the disagreements which stem from not considering the two concepts together. A possible method to suppress this chaos about periodization might be referring to the *capital cycle* concept.

In this context it can be suggested that, since the nineteenth century, the Ottoman Empire/Turkey has been included in global commodity, productive-capital and money-capital cycles, and this inclusion processes have determined the conditions of the applicability of the economic policies and the geographical borders (and the continuity of these borders). From this point, it is observed that each period defined the conditions of the following period. In other words, the policies applied in subsequent periods do not deny each other. On the contrary, they complement each other in terms of organizations and production practices. In this context, the Seventh Five-Year Development Plan which covered the period between 1996-2000 attracts attention in terms of the change in these practices, because the Customs Union Process with the EU started in the first year of the Seventh Plan. Since the ultimate goal of the Customs Union is the EU membership, the Seventh Plan is a compilation of organizational, legal and adaptive arrangements. The internal structure of the plan changed in this direction.

In Turkey, after each transformation, the relation among the cities have been reshaped. The coastal cities in the commodity-capital inclusion process, the natural resources and the cities near to the current transportation lines in the productive-capital cycle inclusion process strengthened their positions within the general urban hierarchy. It can be suggested that the cities that were strengthened in these two processes with the money-capital cycle became economic regions. For these reasons, the articulation process to the world economy in which Turkey is in the very center of its industrial activities, and the importance of foreign commerce in the economy of the country have continued to increase since 1950s. However, the basic factor that converted this process into an “export-oriented growth” strategy was the elimination of the barriers for money to become commoditized with the changes in finance policies and in foreign trade regimes. With this process, the inclusion of Turkey in the global money-capital cycle was performed. This is the basic reason of this organizational change’s terminating the economic bottleneck which continued since the early 1970s like a “magic wand”.

In conclusion, the organizational changes in 1980s did not open Turkey to the “foreign” countries but converted the conditions for her articulation to the global capital



accumulation process and redefined her “inner” structure, because The Ottoman Empire/Turkey was an “outward oriented” geography since the early 1800s. The redefinition of the “inner” structure assigned new roles in the national and international cooperation to the cities which had industrial accumulations, and the cities which could fulfil these new roles well could improve their shares in the industrial outcomes of Turkey.

## **CONCLUSION**

Stating the factors which were caused by the aforementioned changes in the course of history will make the definition of spatial dynamics of industrial activities in Turkey possible in a rightful manner. The reasons for the halt in industrial development of cities although entrepreneurs have successful commercial and industrial activities may be searched in local, cultural, and the most important of all, spatial context rather than the characteristics of the organizations and the entrepreneurs.

In supporting the entrepreneurship concept, the preferences of the entrepreneurs who manage the organizations established in different sizes and in different periods must be evaluated well in terms of the formation of macro-scale city plans and must be focused on spatial context in the cities. In this context, the distance and the relation between the policies that direct the regional economic developments, and the needs of the entrepreneurs must be considered as the basic problematique of the entrepreneurship concept. The plans must be examined in terms of the aforementioned historical context summarized above. In addition, the results of the plans for the industrial organizations based in cities, and the recent performances of the entrepreneurs in cities must be examined in spatial organizations context.

The handling of the cities which have become single economic regions in terms of the entrepreneurs who manage SMEs will contribute greatly to the entrepreneurship process. The urban economy in Turkey must be planned well with the help of comparative historical data on business environment in which there are different size organizations. It is considered possible that the entrepreneurship will be accelerated with distinctive analyses on capital cycle in cities.

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