



Is Turkish Business System Changing? An Assessment Based on Regional Development Agencies¹

Janset Özen-Aytemur², Onur Dirlik²

ABSTRACT

This study aimed at assessing the regional development agencies, established in 2006 in Turkey, in the light of the basic assumptions of National Business Systems approach, which is one of the macro-institutional perspectives. The decision-making mechanisms of the regional development agencies were analyzed by reviewing the relevant laws, by-laws, legislation and reports thereon. It was found in this study that in parallel to the paradigm shift at global level, the development agencies in Turkey converged to the central administration due to the characteristics of the Turkish business system contrary to their purpose of establishment and thus had a limited space for maneuver. Furthermore, the document review supported the argument proposed in this study that Turkish business system had not changed yet and preserved its nature as a state organized business system.

Keywords: Turkish business system, regional development agencies, new public management.

Available Online: March 29, 2015.

MIR Centre for Socio-Economic Research, USA.

1.0 INTRODUCTION

In 1960s and 1970s when industrialization picked up speed throughout the world; the predominant idea was that compliance with technical requirements, and organizational rationality were of vital importance for the organizations. It was assumed that Western form of “rational organization structure” was the key to efficiency and success for the organizations in the countries that adopted the western type of organization models. This approach based on the assumption of universality in the structure and functioning of organizations argues that the rational organization structure that emerged in 1980s with globalization will become increasingly common all around the world and the organizational structures will converge (Haake, 2002). Those who advocate divergence and macro-institutional perspective have heavily criticized the argument that the organizations will converge due to the capitalist form of

¹ The authors would like to thank The Scientific and Technological Research Council of Turkey (TÜBİTAK) for sponsoring this research under grant SOBAG-113K435.

² Akdeniz University Faculty of Economic and Administrative Sciences, Antalya/Turkey

organization, which is becoming widespread with globalization. The divergence perspective entails that the organizations will not converge due to capitalism and globalization, while on the contrary, the society-specific characteristics will have significant effects on the forms of organization, and thus different organizational forms will emerge as a result of varying institutional effects across the countries (Orru, Biggart, & Hamilton, 1991). One approach that substantially supports this perspective is the national business systems approach promulgated by Whitley. Whitley (1999) basically proposes that capitalism is not uniform around the world and business systems vary across the countries. For example, USA has *competitive managerial capitalism*; UK has *personal capitalism*, while Germany has *cooperative managerial capitalism* (Whitley, 1999:6). Whitley asserts that the current characteristics of the dominant institutions should be associated with the historical patterns of social development with a view to explain different business systems in different countries. In conclusion, national business systems approach provides an explanatory conceptual framework to understand the national context and organizations. This study aims at contributing to the debates on national business systems approach that is a recent concept in the field of organizational studies.

Morgan & Whitley (2012) suggest that studies performed within the scope of national business systems approach need to present the perspectives of different disciplines (political science, sociology, economic geography, business and management etc.), analyse different socio-economic contexts and capitalist systems and explore the effect of multi-levelled institutional environments. Only in this way will it be possible to contribute to the question of “whether change is possible in national business systems”, which is one of the current debates in the relevant literature. Moreover, the fact that the studies in this field are either Eurocentric or Atlanticist is considered to be an important barrier before the development of national business systems approach because Morgan & Whitley (2012) assert that one needs to know different country models within the global system and evaluate especially the systems of the emerging economies in order to enrich the knowledge on national business systems. This proposition was inspirational for our study. In this paper, the business system in Turkey that is located in the east of Europe and has significant historical relations with the Middle East is assessed by taking account of the global impacts and focusing on the “organizational structure of the state” as well as the “significant reforms in the regional development policies”. Turkey can be considered as an important case example for national business systems approach due to her geographical location with different socio-economic organizations that were not previously analysed from the perspective of business systems approach and because she is becoming an increasingly important economic actor in the global markets among the other developing countries (World Bank, 2014). The regional development agencies referred to as *intermediary associations* according to the national business systems approach allow tracking back the transformation in the organisational structure of the ‘state’ that is the main actor of Turkish business system. Therefore, in this study, the regional development agencies were analysed in order to draw conclusions about Turkish business system and look into the development of these intermediary associations at local level. The main research questions are as follows:

- To what extent are the regional development agencies, as a symbol of the intended transformation in the state within the framework of new public management in Turkey, independent from the government in carrying out their activities in line with their purpose of establishment?
- Does such a change in the organizational policies of the state in Turkey represent transformation from the *state organized system* into a *system highly coordinated by the state*?

This paper will first briefly present the global changes, implication of such changes on Turkey at national level as well as the resulting reforms introduced in the local organizational structures. This will be followed by an assessment of the regional development agencies that are the symbols of the transformation in Turkey on the basis of the research questions, and finally the conclusions about Turkish business system will be discussed.

Globalization is the most important factor that has changed the approach to regional development. In this process, large companies in the developed countries have started to move their production facilities to the developing countries where the labour cost is cheaper; while these countries have shifted from the *central developmentalist paradigm* towards the *regulatory state paradigm* by introducing the liberalization policies with a view to taking advantage of such developments (Bianchi, 1984). Within this process, rising competition in the world has resulted in new quests for regional development. What lies behind the essence of these quests is local/regional development which is defined in the literature and will be achieved by the use of local resources and developing the local capacities of the regions (Beer and Maude, 2002). In conclusion, regional development paradigm at global level has shifted from the traditional development policies (top-down) towards the regional development policies (bottom-up). As in the developing countries where the liberal policies have a huge impact, development policies have also changed in Turkey with the intent to reduce the visible influence of the state through new strategies and policies. Significant changes took place not only in the development policies but also in the organizational structures and functioning in all domains of the state after 1990 in Turkey due to the global impacts (Kurt & Uğurlu, 2007). This change in public management is referred to as *new public management*, which proposes an extensive change in the organizational structure of the state (Özer, 2005). This change at state level also influenced the business system.

In this process, Turkey was in an endeavour to abandon the regional development models, policies and instruments she had been implementing for almost 50 years and to go through a restructuring process according to the regional development approach of the European Union in harmony with its new governance model. The regional development agencies constituting the subject of this study are the basic representative units of that structure.

Duina (2012) states in his study on national business systems that the European Union and similar regional structures as well as the commercial business cooperation are the trading blocks that alter the international political-economic balance and that these blocks influence the national policies and organizational forms. However, the way that the regional agencies and similar organizations established in response to these global factors are adapted to the nations is debated. Duina (2012) also asserts that such structures formed in response to the global impacts are not always considered rationally but sometimes they are taken for granted. It is important to understand the context and institutional logics under which the practices were influenced by global effects.

The regional development agencies that were established under the influence of the EU were introduced to Turkey for the first time during the 1999 Helsinki Summit where Turkey was officially declared to be a candidate country (Young-Hyman, 2008; Tekin, 2011). The mid-term objectives stipulated in the Accession Partnership Document prepared by the European Commission include the establishment of the Regional Development Agencies. To that end, necessary actions have been taken to develop the relevant legislation (Çetin, 2007; Hasanoğlu ve Aliyev, 2006). In conclusion, the Regional Development Agencies that existed in Europe were introduced to Turkey on 25.01.2006 as per the Law no 5449 on the “Establishment, Coordination and Duties of the Regional Development Agencies” under which 26 regional development agencies were established. There are debates that the transformation in the economic organization arising in relation to the change in the neo-liberal development policies in Turkey may also lead to a radical change in the business system. These debates mainly focus on the question whether such transformation of the state in Turkey has resulted in a shift from the “state organized” business system (Gökşen & Üsdiken, 2001; Öniş, 1999) towards a “highly coordinated” business system (Şahin, 2005). According to the business systems approach, every nation-society has a specific business system with its own historical patterns while the basic features of such business systems can hardly be changed (Whitley, 1991; 1999). In Turkey where the changes in the institutional context of the business system have recently picked up speed, an important research question yet to be tackled is “to what extent the state’s controlling effect is maintained on the market”.

1.02 NATIONAL BUSINESS SYSTEMS: TURKISH BUSINESS SYSTEM AS A CASE EXAMPLE OF STATE ORGANIZED BUSINESS SYSTEM

The implications of political systems on the institutional processes have attracted attention and have been studied extensively in the literature on macro-institutional theories (Meyer & Rowan, 1977; Jepperson and Meyer, 1991; DiMaggio and Powell, 1991). The studies on business systems usually focus on the national level because the structures and activities of the nation states are the most important elements that influence the diversity of market economies and many institutions that affect the structures and actions of the economic actors have influence at national level (Whitley, 2007:35-40). Different contextual patterns that have developed throughout history the nation states also differentiate the business systems. In order to understand the economic organizational activities in a society, it is important to understand the characteristics of its business system. Therefore, the analyses performed from the perspective of business systems not only explain different organizational structures/forms in different organizational contexts but also give us clues about the direction and fate of the organizations within the organizational contexts they operate.

The most distinctive feature of the Turkish business system in which the regional development agencies are assessed in this study is that it is a state organized system (Berkman & Özen, 2007). A state organized business system can be defined as a context where the state is highly involved in economic activities and the intermediary associations is less important, and that functions with a loan-based system (Whitley, 1999). In this type of business system for which Turkey is an example (Buğra, 1994; Öniş, 1992), the state regulates all economic activities (Gökşen & Üsdiken, 2001; Yamak & Üsdiken, 2006). Whitley (1999) argues that it will be challenging for the intermediary associations to move away from the central control in the state organized business systems. Transformation in the state organized business systems can only be achieved through the transformation of the state itself that is the main actor (Whitley, 1999).

It is a current research topic whether or not Turkish business system defined as state organized business system has transformed (Gökşen & Üsdiken, 2001; Öniş, 1999; Şahin, 2005). To have a clear idea about the restructuring of the business systems, historical patterns should be understood well (Whitley, 1991). For that reason, it would be reasonable to assess Turkish business system in two periods considering the role of the state in the market. The first period is pre-1980s when the state extensively intervened the economic field, while the second period is the post-1980s when liberalization began.

1.2.1 PRE-1980 PERIOD

Since the proclamation of the Republic in Turkey in 1923, the state itself managed the development of the national economy and the industrialization process. The resources needed in the market were supplied and coordinated through the public bodies and state banks. The State-Owned Economic Enterprises supplied raw materials to the sectors for many years and assumed a critical role in the economic development of the country (Buğra, 1994:74; Öniş, 1999:149). An intensive industrialization policy was followed since then. State Owned Economic Enterprises long acted as instruments to implement the development policies under the state supervision, while employment was created to a great extent by these enterprises especially in the manufacturing sector (Buğra, 2003). Due to the critical role of the State-Owned Economic Enterprises and state banks in economy, the private sector consisted of entrepreneurs that they chose and supported (Özcan & Çokgezen, 2003). The entrepreneurs from 1931 to 1950 were mainly the former civil servants or those who had worked in the state-owned enterprises; moreover, in that period, the state remained as the biggest decision-maker and undertook the initiative to create the private sector by sharing its experience in business management (Buğra, 1994). The fact that the entrepreneurs who were formerly civil servants played an important role in the creation of the private sector in Turkey is an important indicator of the critical role assumed by the state in the establishment of economic organizations. In that period, political relations played a very important role in the formation of the private capital, and the investments in the private sector were mainly made by the statesmen operating in the business world (Berkman & Özen, 2007).

In the subsequent periods, the state tried to control the business life in the country through its relations with the family-owned *holdings* that grew rapidly through diversification by vertical and horizontal integration (Özen, 2002). There are many stories about the establishment and survival of the family-owned holdings considered to be the dominant organizational form in Turkey that show how important the state-market relationship was especially before 1980s (Buğra, 2003). From 1923 to 1980, Turkish business system was mainly characterized by the rule-making and leadership role of the state in the economic organizational though different instruments were used for that purpose in 1923-1950 and 1950-1980, the importance of the state-market relationship, the characteristics of the entrepreneurship class that emerged and the dominant control and coordination of the state over the market (Özen, 2002).

1.2.2 POST-1980 PERIOD

The decisions made on 24th January 1980 in Turkey are described as the milestones of the Turkish business system with regard to the changes in the political life and abandonment of interventionist economic policies and introduction of liberalization (Buğra, 1994; Öniş 1999; Özen, 2002; Gökçen & Üsdiken, 2001). The most important actions taken in that period included shifting the public activities from manufacturing sector to the infrastructure activities and eliminating the restrictions imposed on importation prior to 1980 to protect the capital (Öniş, 1999: 185). The idea that there was a need to implement a new strategy stipulating that the ‘state should withdraw from the economy’ in order to develop the market lies behind many of the reforms implemented in that period (Buğra, 2003). Enactment of the Capital Market Law on 30th July 1981 that resulted in radical changes in the financial system was an important development for the formation of an organized financial sector. In short, it can be suggested that with the help of the post-1980 actions, supervision on the macroeconomic indicators such as the foreign exchange rates and interest rates was reduced; initiatives were undertaken to privatize the state-owned economic enterprises; trade was liberalized; restrictions that hindered the foreign capital from flowing into the country were lifted; and the movement of international capital was facilitated (Boratav, 2010).

The state relatively reduced its power on the financial system after 1980, the investments in the manufacturing sector were shifted to the infrastructure activities, and specific arrangements were adopted to develop the capital markets and the restrictions to prevent the foreign capital from flowing into the country were lifted, as a result of which one might perceive that the state organized Turkish business system was shifting towards the highly coordinated system as defined by Whitley (1999). Due to the diminishing role of the state in the national economy, it can be considered that the organizations’ need to establish strong relations with the state decreased. However, some studies (Özen, 2002; Oğuz, 2012; Öniş, 1999) claim that the state organized nature of the Turkish business system still persisted despite the liberalization efforts that picked up speed after 1980. This argument was justified by the delayed privatization of the state-owned economic enterprises and the fact that the capital market practices were not effective. In conclusion, it can be suggested that despite the actions taken for liberalization, the organizations in the market made an endeavour to strengthen their relations with state to get an advantage and compete with each other in an unsound manner by taking advantage of their relations with the state (Özen, 2010).

Today, however, considering that the changes in the organizational context of Turkish business system picked up speed, the question to what extent the controlling effect of the state on the market persists appears to be an important topic to be investigated in order to understand the current status or transformation of the business system.

1.03 TRANSFORMATION OF STATE IN TURKEY: NEW PUBLIC MANAGEMENT MODEL AND REGIONAL DEVELOPMENT AGENCIES AS THE REPRESENTATIVES OF TRANSFORMATION

The State of Turkey that adopted a new *public management model* after 1990 is in an attempt to change its organizational structure substantially (Özer, 2005). According to the new public management model; the state, public management, public activities and especially those activities with economic content will be downsized, the public activities and organizations in the downsized areas will be restructured from the viewpoint of private business administration or they will be run with the direct contributions of the private enterprises. The goal is to provide more flexibility in bureaucracy, to hold the organizations' managers accountable only for the consequences, and to implement a performance-based system. The purpose of liberalization is to reduce or completely abolish the power of the state to legally regulate, restrict and supervise the sectors (Aksoy, 1998: 10-12).

In line with this new public management model, inevitable changes took place in the functioning, organizational form and governance of the state, and this was expected to reduce the state intervention in the market. Therefore, the new public management model is supposed to enable the state to attach more importance to the regional economic activities and to trust and delegate more powers to the *intermediary associations* like regional development agencies. Such change in the public domain does not grant a supervisory power to the state in the Turkish political system, while it leaves it up to the private sector to shape the market. As one of the most important reform instruments within this framework, the regional development agencies enhance, regulate and coordinate the competitive environment to achieve regional development. Hence, the regional development agencies are the important organizational tools because they represent the transformation that the state has been going through. Such intermediary associations as described above are not supposed to get autonomous and be furnished with authorities and powers in Turkey that implements a state organized business system. Since the state is the main actor and the only determining factor in the state organized business systems, it does not want any other organization to have a say (Whitley, 1999). Therefore, the state should go through transformation in the real sense in order to enable the regional development agencies to function properly to achieve their defined objectives. Once the mechanisms created in the name of transformation in the state– the most important of which is the regional development agencies in Turkey (Bayramoğlu, 2005; Eraydin, 2004)- functions in line with their objectives, this can be perceived as the indicator of transformation taking place in the business system. In conclusion, it is necessary to analyse the transformation in the state to understand whether or not there is any change taking place in Turkish business system while the regional development agencies are the best representatives of transformation that is claimed to be taking place in the state at this present time. The present situation evolving since the establishment of the regional development agencies can provide clues about the change in the overall characteristics of the Turkish business system that are described by the degree of their dependence to the state. It should be noted straight away that although the law on the establishment of development agencies was ratified in 2006, it was only in 2010 when 26 agencies became fully operational and started distributing funds at a scale adequate to stimulate regional development. The agencies could only finalize their organizational structures until then. For that reason, it is still too early to understand the impact of development agencies on regional development (Eraydin, 2013). There is a need for studies focusing on long-term analysis in the forthcoming years in order to clearly identify the impact of development agencies on regional development in Turkey. Due to this limitation, this paper does not discuss to what extent the development agencies influence socio-economic development.

2.0 REVIEW OF RELEVANT DOCUMENTS TO UNDERSTAND THE LEVEL OF DECENTRALIZATION OF THE REGIONAL DEVELOPMENT AGENCIES

In this paper, a set of documents including all laws, regulations, by-laws as well as the reports issued by the Ministry of Development of the Republic of Turkey that is in charge of the coordinating the concerned agencies were reviewed in order to understand the level of autonomy of the agencies within the decision-making mechanisms. The documents that were reviewed are as follows:

- Justification of the Law no 5449 on the Establishment, Coordination and Duties of the Regional Development Agencies
- Draft Law no 5449 on the Establishment, Coordination and Duties of the Regional Development Agencies
- Law no 5449 on the Establishment, Coordination and Duties of the Regional Development Agencies
- By-law on the Operational Procedures and Principles of the Regional Development Agencies
- By-law on the Support to the Projects and Activities of the Regional Development Agencies
- By-law on the Staff Members of the Regional Development Agencies
- Law no 6085 on the Council of State
- Statutory Decree no 666 on the Regulation of Financial Rights of the Public Officers
- Agency Activity Reports published by the Regional Development Agencies
- External Audit Reports published by the Regional Development Agencies
- Agency Activity Reports published by the Ministry of Development
- Report titled “Assessment of Regional Development Agencies in Turkey” issued by the State Supervisory Council

The abovementioned documents are significant laws, regulations and decrees that were promulgated by the state and define the ‘purpose of establishment and objectives’ of the agencies, their ‘organizational structures’, ‘formal decision-making mechanisms’, ‘content of decisions’, ‘sources of funds’, ‘fund distribution mechanisms’ and ‘control mechanisms’. The last document listed above is a very comprehensive assessment report commissioned by the state with respect to the functioning of the agencies.

The regional development agencies established with great expectations of the private sector in Turkey were intended to increase the local initiatives, and decentralize the economic organization (DPT, 2007). The underlying factor behind the interest of the private sector in the establishment of the agencies is the hope that the decentralization of the decision-making mechanisms for regional development and utilization of resources and leaving them to the market players would facilitate the entry of private sector in Turkey to the international markets. The State of Turkey was willing to establish the agencies especially in the process of the harmonization with the European Union.

The law no 5449 establishing the regional development agencies in Turkey has a very detailed justification compared to the other similar laws. In the meantime, the draft of this law was discussed for a long time by the Turkish parliament and significant amendments were introduced to the draft law by the parliamentary commissions based on such debates because concerned draft law was to establish the regional development agencies that were perceived as the most important elements to decentralize the traditional structure of the Turkish State. As a matter of fact, the first intervention in the agencies’ decision-making mechanisms was made at the very beginning of their establishment through the amendments introduced by the parliamentary commissions to the draft law no 5449. For instance, the provision stating that “... shall take measures to minimize the interregional and intraregional development discrepancies” applicable to the Ministry of Development that is in charge of the coordinating the agencies, which was not available in the draft law and justification, was added to the text of the law, thus the Ministry of Development was enabled to play an active role in the mission of the development agencies to minimize the interregional discrepancies (Article 4/2-a). The provision stipulating that “(the Ministry) shall assess the programs or cause them to be assessed” was added to the subparagraph b of the same article enabled the Ministry to play an active role in the assessment of the performance of the programs implemented by the agencies. One of the significant amendments introduced to the draft law is related to the appointment of the *secretary general* of the agencies that is the top executive in charge of the secretariat-general that is the executive body of the development agencies. With the amendment introduced by the commission, the provision stating that “the authorities at the Ministry... shall decide on the eligibility of the secretary general candidates who are nominated” was replaced by “... shall approve the secretary general of the agency who is nominated”. This amendment assigned a more active role to the Ministry in the selection of the top-level executives of the agencies (Article 4/2-g). Having been established by the state for the purpose of enhancing cooperation between the public sector, private

sector and non-governmental organizations and of mobilizing the local potential, the regional development agencies were intended to be autonomous structures but attached to the Ministry of Development just for their coordination as clearly stipulated in the justification and draft law on their establishment. However, the amendments introduced to the law brought the possibility for the central administration to intervene, through the agencies, in the decisions to be taken at regional level contrary to the intention set forth in the justification of the law on their establishment. The central administration extended the definition of “*coordination*” through legal arrangements and assumed the tasks that were rather more like “*control*” function.

The text of the Law no 5449 stipulates how the agencies *should be managed, supervised and organized*. Within the framework of this law, the board of directors was designed to represent the public sector, private sector and non-governmental organizations. The Ministry continuously emphasizes that the purpose of this law is to “enable every sector in the region to manage the agency with a *common sense*”. However, under the law that was enacted, if the agency is located in a region with a single province, the governor of the province shall preside the board of directors. However, if there are several provinces in a region, the governor of each province shall act as the term president of the board in alphabetical order. Assignment of the governors, who are attached to the Ministry of Interior, as the presidents of the board of directors that are the decision-making mechanisms of the agencies gave rise to the likelihood of an intervention in the autonomy of the agencies. In Turkey where the central state tradition persists, the governors might want to act in line with the central administration while taking decisions. This provision laid down in the Law, which incapacitates the representatives of non-governmental organizations and private sector against the representatives of public sector, brings the development agencies closer to the central administration compared to their counterparts in the other countries. Therefore, it is important that the Secretary General is knowledgeable about the public bureaucracy and public tradition in his/her relations with the board of directors; that is why secretaries from the private sector and even from the academy cannot be retained in their office for a long time. The turnover process and rates of Secretaries General indicated in the activity reports published by the agencies and the Ministry of Development demonstrate that the secretaries general are mainly from the public sector in all of the agencies. The secretaries general of all agencies (a total of 26 agencies) were mainly former undersecretaries and sub-provincial governors. So the state could appoint to the top positions those persons who were experienced in bureaucracy, had organic links with and had a background in their institutions, which converged the agencies one step closer to the state.

As per the abovementioned law, a representative from the Ministry of Development is also sent to the agency during its recruitment process. The methods of staff recruitment applied by the agencies as defined in the Law no 5449 are similar to the recruitment processes of the public bodies. This created a significant impact on the human resources structure of the agencies. The most important effect of the state on human resources structure of the agencies arises due to the Statutory Decree no 666 and dated 2nd November 2011 on the Regulation of Financial Rights of Public Officers. As per this decree, the personal rights of the staff of the agencies were modified significantly and the salaries of the agencies’ staff were equalized to the salaries of public servants in the light of the principle of equal pay to equal work. This decree can be interpreted as an action to convert the agencies into public bodies because this decree stipulated that the employees of the agencies would be selected in a similar way as the selection of public employees; and that their personal rights be restricted. The performance-based assessment that was implemented in the private sector was abandoned and standard salaries were paid irrespective of the region they operated and the tasks they fulfilled.

The regional development agencies in Turkey can provide diverse sources of funds. However, the data published by the Ministry of Development in regard to the income distribution of the agencies reveal that majority of the funds are still allocated from the central budget in spite of the diversity of sources (dpt.gov.tr/6879). It is important for the regional development agencies to own sources of funds with a view to acting autonomously and breaking their connection with the central administration. Although the sources of funds of the regional development agencies are diversified, a substantial portion of their revenues comes from the funds allocated by the central administration. In another word, the agencies

appear to function like public bodies in terms of providing funds. None of the agencies operating in European countries is characterized by such a dominant 'central influence' and 'public way of modus operandi'. As regards the status of the agencies in Europe, it is not possible to find any agency described as a "public body"; instead local area where the agencies operate and private sector's organizational model have an impact. To give an idea, the following table shows the legal status of the agencies in Europe.

Table 1: Some EU member states and the legal forms of development agencies

States	Legal Form	States	Legal Form
Belgium	Inter-municipal agency	Netherlands Italy Portugal Ireland	Public limited liability company
Bulgaria, Hungary	Non-profit association	France	Mixed Economy Company
Germany	Limited liability company	Greece	Municipal enterprise
Denmark, Romania	Non-profit foundation	Latvia	Non-profit making companies
Spain	Public private law institution	Sweden	Limited company
Estonia Poland Czech Republic Slovakia	Joint stock company	Portugal	Public-private joint stock company

Source: eurada.org/doc/creation.pdf

In 2012, the financial audit of the agencies was entirely granted to the Court of Accounts as per the Law no 6085 on the Court of Accounts, which held the agencies subject to the same audit mechanism as the public bodies were. It can be concluded that the agencies were just audited by the private external audit companies until 2012, which was enough, whereas this law allowed the central administration to intervene the audit function in addition to its intervention in the coordination and human resources policies of the agencies. With this latter law, the regional development agencies were dragged increasingly closer to the central administration since 2006 when they were established. They were held subject to the Court of Accounts for audits, which required the enforcement of many provisions in the legislation laid down for the public bodies and as a result they had to gradually lost the flexible and fast-acting organizational nature specific to the private sector.

3.0 CONCLUSION

The transformation that the Turkish state went through under the influence of the global neo-liberal policies in 1990s as well as the new public management practices is still a matter of debate. The regional development agencies that are the main subjects of this study are acknowledged as the most important representatives of the transformation in the state. However, the assessments show that the regional development agencies still lack the capacity to perform independently from the central administration. On the contrary, they tend to converge increasingly closer to the central administration and function like public bodies. State is the main actor in the institutional environment of the regional development agencies. It is understood that the state constantly intervenes in the process in which the regional development agencies are shaped by means of amending a series of important laws, regulations and practices contrary to the intention laid down in the justification of the law on their establishment. The documents reviewed show that the agencies were gradually exposed more to the pulling effect of the central administration.

The establishment law no 5449, which is the most important legal instrument for the regional development agencies, defines the Ministry of Development as the body that is in charge of the coordinating the agencies. However, the documents reviewed reveal that the influence of the Ministry

of Development in practice is more like a control. It is observed that with this legislation, the Ministry of Development wants to go beyond the functions of setting regional policies and ensuring coordination and to review the activity programs, budgets, plans and even the brochures published for their activities. Moreover, the fact that the regional development agencies are not endowed with the power and funds enough to influence the resource allocation mechanisms shows that they will not be able to change the business system significantly. Whitley (1999) states that distribution mechanism of the funds is the determining factor in the business systems.

In the light of the abovementioned findings, two important conclusions can be drawn with regard to the research questions of the study. First, it cannot be argued yet that the regional development agencies representing the transformation to a new public management approach that is claimed to be adopted in Turkey carry out their activities in line with the purpose of their establishment independently from the state. This approach points to a very radical transformation in the state. According to this approach, the state needs to change its traditional practices radically and implement a new organizational model. The study reveals that the state cannot quickly change its decision-making practices that it has developed in many years. The strong and deep-rooted public tradition of the state still creates a pulling effect despite the newly established and flexible models and its intention to confer powers to the regional actors. It can be claimed that this process in transition to the new public management proves right the basic thesis of Whitley (1999) that it will either take a long time or be impossible to change the business systems.

As the findings of the study show, the state of Turkey is still the main actor that controls and configures the market and has not delegated powers fully. Therefore, as the secondary conclusion regarding the business system from the perspective of the regional development policies, it can be suggested that a state organized business system still persists in Turkey. It can be concluded that although specific actions have been taken to shift to the highly coordinated business systems, they cannot go beyond being a mere intention while they could not either be reflected fully into the practice.

REFERENCES

- Aksoy, A. Ş. (1998). Yeni sağ, kamu yönetimi ve yerel yönetim: Eleştirel bir yaklaşım. *Çağdaş Yerel Yönetimler*, 7(1), 3-13.
- Bayramoğlu, S. (2005). Türkiye’de bölgesel politikaların gelişimi. In M. Turan (Eds.), *Bölge Kalkınma Ajansları Nedir Ne Değildir?*, (pp.35-120), Ankara: Paragraf Yayınevi.
- Beer, A. & Maude, A. (2002). *Local and regional economic development agencies in Australia*, Report prepared for the Local Government Association of South Australia.
- Berkman, Ü., & Özen, Ş. (2007). Turkish business system and managerial culture: State dependency and paternalism in transition. *Gestion en Contexte Intercultural: Approaches, Problematiques, Pratiques et Plongees*. Quebec: Presse de l’Université Laval et TELUQ/UQAM, 1-25.
- Bianchi, R. (1984). *Interest groups and political development in Turkey*, Princeton University Press.
- Boratav, K. (2010). *Türkiye iktisat tarihi 1908-2009*, Ankara: İmge Kitapevi Yayınları.
- Bugra, A. (1994). *State and business in modern Turkey: A comparative study*. Albany: SUNY Press.
- Buğra, A. (2003). The place of the economy in Turkish society. *The South Atlantic Quarterly*, 2(3), 453-470.
- Çetin, M. (2007). Yerel ekonomik kalkınma yaklaşımı ve uluslararası organizasyonlar. *Yönetim ve Ekonomi*, 14(1), 153-170.
- DiMaggio, P. J., & Powell, W. W. (1991). Introduction. In W.W. Powell & P.J. DiMaggio (Eds.), *The New Institutionalism in Organisational Analysis*, (pp.1-40), University of Chicago Press.
- DPT (2007). *Yerel Yönetimler Özel İhtisas Komisyonu Raporu*, Ankara.
- Duina, F. (2012). Trading blocs in the twenty-first century. In G. Morgan & R. Whitley (Eds.) (Eds.). *Capitalisms and Capitalism in the Twenty-First Century*, Oxford University Press.
- Eraydın, A. (2004). Bölgesel kalkınma kavram, kuram ve politikalarında yaşanan değişimler. *Kentsel Ekonomik Araştırmalar Sempozyumu (KEAS)*, 1, 126-146.
- Eraydın, A. (2013). Regional Economic Resilience: The Factors Important on the Performance of Turkish Regions in Crisis and Recovery Periods, *METU Studies in Development*, 40(2), 179-208.

- EURADA (1999). Creation. Development and management of RDAs: Does It Have to Be so Difficult?, European Association of Development Agencies, Brussels.
- Gökşen, N. S., & Üsdiken, B. (2001). Uniformity and diversity in Turkish business groups: Effects of scale and time of founding. *British Journal of Management*, 12(4), 325-340.
- Haake, S. (2002). National business systems and industry-specific competitiveness. *Organization Studies*, 23(5), 711-736.
- Hasanoğlu, M. D., & Aliyev Z. (2006). Avrupa Birliği ile bütünleşme sürecinde Türkiye'de bölgesel kalkınma ajansları. *Sayıştay Dergisi*, 60, 81-103.
- Jepperson, R. L., & Meyer, J. W. (1991). The public order and the construction of formal organizations. In W.W. Powell & P.J. DiMaggio (Eds.), *The New Institutionalism in Organisational Analysis*, (pp.204-232), University of Chicago Press.
- Kurt, M. & Uğurlu, Y. Ö. (2007). Yeni kamu yönetimi ve yeni kamu yönetimi yaklaşımının gelişmesinde Avrupa Birliğinin rolü: Derleme raporları içerik analizleri. *Afyon Kocatepe Üniversitesi İ.İ.B.F. Dergisi*, 9(11), 81-109.
- Meyer, J. W., & Rowan, B. (1977). Institutionalized organizations: Formal structure as myth and ceremony. *American Journal of Sociology*, 83(2), 340-363.
- Morgan, G., & Whitley, R. (2012). *Capitalisms and Capitalism in the Twenty-first Century*. Oxford University Press.
- Oğuz, Ş. (2012). Türkiye'de kapitalizmin kürselleşmesi ve neoliberal otoriter devletin inşası. *Türk Tabipler Birliği Mesleki Sağlık ve Güvenlik Dergisi*, 45-46, 2-15.
- Orru, M., Biggart, N. W. & Hamilton, G. G. (1991) Organizational isomorphism in East Asia, In W. W. Powell ve P. J. DiMaggio (Eds.), *The New Institutionalism in Organizational Analysis*, (pp.361-389), The University of Chicago Press.
- Önis, Z. (1992). Redemocratization and economic liberalization in Turkey: The limits of state autonomy. *Studies in Comparative International Development*, 27(2), 3-23.
- Öniş, Z. (1999). *State and Market*, İstanbul: Boğaziçi University Press.
- Özcan, G. B. & Çokgezen, M. (2003). Limitations of alternative capital formations: The case of Anatolian holding companies. *World Development*, 31(12).
- Özen, Ş. (2002). Bağlam, aktör, söylem ve kurumsal değişim: Toplam kalite yönetiminin yayılım süreci, *Yönetim Araştırmaları Dergisi*, 2(1), 25-40.
- Özen, Ş. (2010). Türkiye'deki ekonomi politik değişim ve girişimci türlerindeki çeşitlenme: Bir model önerisi ve görgül bulgular, 4. Aile İşletmeleri Kongresi, İstanbul.
- Özer, M. A. (2005).Günümüzün yükselen değeri: Yeni kamu yönetimi. *Sayıştay Dergisi*, 59, 3-46.
- Şahin, T.K. (2005). Liberalleşmenin iş örgütlerinin çeşitlenmesi üzerindeki etkisi. *Yönetim Araştırmaları Dergisi*, 572, 124-145.
- Tekin, A. (2011). Küreselleşen dünyada bölgesel kalkınma dinamikleri, kamu politikaları ve bölgesel kalkınma ajansları. *Dumlupınar Üniversitesi Sosyal Bilimler Dergisi*, 29, 37-48.
- The World Bank Annual Report (2014). <http://www.worldbank.org/en/about/annual-report>
- Whitley, R. (2007). *Business systems and organizational capabilities: The institutional structuring of competitive competences*. Oxford University Press.
- Whitley, R. (1999). *Divergent Capitalism: The social structuring and change of business systems*, Oxford University Press.
- Whitley, R. (1991). The social construction of business systems in East Asia *Organization Studies*, 12(1), 1-28.
- Yamak, S., & Üsdiken, B. (2006). Economic liberalization and the antecedents of top management teams: evidence from Turkish 'big' business. *British Journal of Management*, 17(3), 177-194.
- Young-Hyman, T. (2008). The Potential for effective regional development agencies in Turkey: A comparative analysis. *Regional and Federal Studies*, 18(4), 375-402.