A Projection to the Future of Large-size Architectural Practices in Turkey

-A Comparative Approach

by

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Abstract

Prompted by the prevailing precipitancy among the Turkish architects arising from the concerns about the changes ahead of the profession in the outgrowth of country's European Union membership, the implications of the process for architectural companies are synthesised. This research presents the findings of 8 case studies on large size practices operating in Turkey and the UK. "The formulation of a vision of your practice and a statement of your aspirations should be set against a debate about the social and economic changes that are likely to occur within the ten year period" (Richardson, 2006). Hence, driving forces that influence the outcome of the strategic decisions of the practices are identified. Sequentially, the main aspects of architectural practice in Turkey are diagnosed and finally, it has been benefited from case studies by comparing and contrasting the findings with similar and larger practices in an advanced economy, in order to develop an understanding about the different pathways that might exist in the future for successful practices.

Key words: Corporate Strategy, Organisational Structure, Strategic Positioning, Architectural Practices, Design Management.

Word Count: 11,165

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CONTENTS

ABBREVIATIONS

ACE: Architects' Council of Europe

AKP: Justice and Development Party

BMI: Business Monitor International

BTYK The Supreme Council for Science and Technology

EIA: Energy Infirmation Administration

EU:European Union

GATS: The General Agreement on Trade in Services

GATT: General Agreement on Tariffs and Trade

TCA: Turkish Contractors Association

TRIPPS: Agreement on Trade-Related Aspects of Intellectual Property Rights

TURKSAT Turkish Statistical Institute

UIA:Union of International Architects

WTO: World Trade Organization

YEMAR: Research Centre of Building Industy

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CHAPTER 1
INTRODUCTION

1.1 Background:

"My idea of the architect [is] as a co-ordinator, whose business is to unify various formal, technical, social and economic problems that arise in connection with buildings ... I believe that new architecture is to dominate a far more comprehensive sphere than building means today. And from the investigation of the details, we shall advance towards an ever-wider and profounder conception of design as one great cognate whole."

Walter Gropius

The role of an architect is constantly modified to suit the needs and requirements of its time. Yet without exception, each redefinition pushes the boundary of architecture outwards for a wider coverage, as well as inwards for higher degrees of specialisation in the component parts (Liangyong, 1999). As a profession which is closely related with human and society, science, technology and environment, architecture is highly influenced by the changes in these wide range of fundamental issues. Hence, the progress of architecture in the future depends on our ability to understand and process the controversies that we face such as globalization and localization, internationalization and nationalization, universality and peculiarity and flexibility and stability.

There are two prevailing points of views in strategy development. Some argue that identifying opportunities in the industry, sector and market are the most important forces in building strategic capabilities while others believe that strategic capabilities which form the core competencies should be taken into account, since it is often what differentiates the organisation from others. What is more, interests of the various stakeholders in an organisation can exert a significant influence on the strategy to be followed. The strategic management of these issues is crucial in order to identify the different pathways that might exist in the future for successful practices.

1.2 The Purpose of the Study:

In the context of this research independent large size architecture offices operating in Turkey and UK are analysed within the time interval 1980-2015. This decision stems from 2 major incidents, both of which have strong implications for the whole levels of society; 1981 military coup and the prospects of EU membership in 2015. That is, the data represented here attempts to diagnose refraction points that effect Turkey.

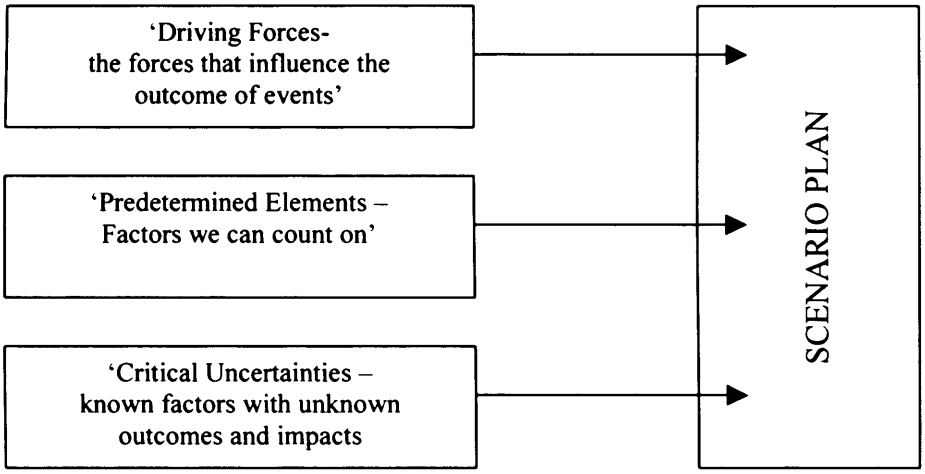

Figure 1.1: Three elements of scenario planning (Richardson, 1996).

Figure 1.1 describes three key steps structured by Richardson (1996) to explore the future. It is attempted to identify driving forces, predetermined elements and critical uncertainties by reflecting on what has happened to the practices in the last 25 years and literature review on the wider environment level, construction industry level and profession level. Hence, the research aims to direct the following questions that are suggested by Richardson (1996).

"What has happened in the last 25 years?"

What can be done in the future?

"What were the driving forces that made the company what it is today?"

How is it going to be in the future?

"What could the company have relied on during the period?"

What are the external and internal factors that we can rely on?

"What happened that could not have been foreseen and which seriously affected the company and its organisation?"

How can the firm react to the emerging conditions proactively?

1.3 The Scope of the Report:

In professional practice architecture firms can be divided into 3 groups according to their organisational structure and work configurations (Altaş, 1994). These are;

- Architectural offices as a body of public institutions
- Architectural offices as a body of private firms
- Independent architecture firms

This report is concerned with understanding the forces that influence, or have to be taken into account in, the development of strategy for large size independent architectural practices in Turkey for the next ten years, relying on the changes that effect the profession in the past.

Worthington (2003) expresses two types of future studies: Those studies that aim to predict a holistic vision of a future state and those which scan over the horizon to search out opportunities and potential barriers to help us formulate current policy. This research falls into the second category, that is, forecasting used as tool rather than being a target, to be able to gain an understanding on the conditions expected to emerge in the coming decade which will effect the strategic decisions of large size architectural practices.

Hence, firstly the environment that has an impact on the organisational capabilities and expectations is defined, secondly the current position of architectural practices in Turkey is explored and market globalisation and global competition factors are investigated. Lastly case studies on practices in two different markets are utilized to identify the comparative determinants of the strategic capability.

CHAPTER 2
METHODOLOGY

2.1 Introduction:

This research seeks to utilize both qualitative and quantitative data drawn from literature review and case studies. Firstly, targeted large size practices are designated and primary data on Turkey has been collected. Later on, it has been benefited from sector reports by RIBA and various institutions in Turkey to delineate semi-structured questions. Thirdly, further literature review and two interviews held on the nature of the market and the profession followed by interviews with four Turkish practices in July. Subsequently, the findings has been analyzed and adapted to the UK circumstances. In August, further interviews have been conducted with selected 4 UK firms. Section 2.2 elaborates on the theoretical basis of the research. In Section 2.3 the major attributes of research interviews has been outlined and lastly in Section 2.4 the restrictions and opportunities are explained.

2.2 Literature Review:

RIBA (2005) identifies change drivers in the last decade and the future in 3 levels: the wider environment (grouped according to political, economic, social, technological, legislative and environmental influences); the construction industry, and the built environment professions. Relying on this organisation, the theoretical research represented here covers the past, today and future, in these 3 levels, to be capable of gaining a comprehensive understanding on the subject matter.

In Chapter 3, it has been benefited from PESTE framework that categorises environmental influences in 5 main types; political, economic, social, technological and environmental. While The Turkey Business Forecast Report-Q3 (2006) is used to identify the internal and external factors that affect the political circumstances, the 3 scenarios that are cited in Construction Sector Strategic Plan (2005) allowed looking at the economic expectancies for year 2014. Furthermore, the strategic foresight studies in social, technological and environmental level facilitated to outline the major aspects of the macro-environment that the professional practices operate in. The data from Turkish Contractors Association, TURKSTAT and Turkish Construction Sector Report, 2005 as well as BMI construction sector analysis provided a ground to gain an understanding on the changes experienced in the industry level. In addition, the data on the market level rely on articles in several architectural journals, which provide an holistic view of how the profession is positioned within the previously cited outer environments.

Chapter 4 and 5 have sought to cover issues related with architectural organisation in practice level. The data presented is gathered from marketing professional services and corporate strategy literature and connected the theory with the Turkish market conditions where it is relevant. Independent Architecture Offices Report, 2005 and TCA statistics demonstrated sector norms, while proceedings of conference papers were compiled to gain insights of the actual issues related with the profession, particularly on GATS and EU membership. This literature review provided a ground for the analysis and discussion conducted in the following chapter.

2.3 Research Interviews:

In the context of this research, 10 semi structured interviews have been carried on in July and August. While 8 of these are presented as case studies in Chapter 6, it has been benefited from the in and fore sights of the rest of the participants in various parts of the dissertation.

2.3.1 Selection Method:

The interviewed practices are portrayed concisely in Appendix I and Appendix II. There have been 2 major criterions in choosing the case studies; number of qualified permanent staff and the foundation year of the practice.

More often than not, large-scale firms are regarded to a heavy workload and high turnover, therefore to a more corporate culture and a clear view of how they wish to develop as regards types of work, services or wider geographical spread. Hence, the companies employing more than 30 staff are selected and there hasn't been any distinction made between organic growth and growth by mergers or acquisitions. On the other hand, concentrating on firms operating on the market since 1980's allowed the respondents to be able to communicate their insights on the changes that have an influence on their practices.

To choose Turkish firms, it has been contacted with YEMAR, that published Independent Architecture Offices Report, 2005, and the names of 4 practices that are cited to employ more than 20 people (Zaimoğlu, 2006) had been received. Two out of these 4 companies was eliminated due to their main activity area being project consultancy and construction. It is therefore benefited from the suggestions of Murat Tabanlıoğlu, and the data of Chamber of Architects in Istanbul to obtain the final case study group.

Due to the scale differences between UK and Turkish practices, British companies are selected on the basis of the outcomes of interviews held in Turkey and the research questions have been slightly adjusted according to the nature of the UK market.

2.3.2 The Interviews:

The respondents had been requested to answer 18 open-ended questions in 5 categories that cover firm size, organisational structure, activity portfolio, strategic foresights about their company and the market conditions that they operate in (See Appendix III). In Turkey, the owners of four large size Turkish architectural practices, who have been in the business from 25 to 50 years, are interviewed for a time interval lasted between 50 to 90 minutes. Whereas, due to the difference between the common types of ownership in UK, the participants on behalf of UK firms were the chief executives and former chairmen of the practices. The respondents are encouraged to answer questions covering past, present and future strategies of the practices.

2.4 Restrictions and opportunities:

There is no data that cover a detailed analysis of the whole profession in Turkey. However, Independent Architecture Offices Report, 2005 (Zaimoğlu, 2006) which includes 123 offices from Istanbul, Ankara, and İzmir reveals that, the number of offices that employ more than 20 staff is 4. Although it should be recognized that there may as well be other practices, the interviewed group is fairly comprehensive. This allows acquiring rather conclusive inferences on strategic plans of large size practices. What is more, the positions and experience of the interviewees increase the reliability of the data and provide conclusive evidence.

On the other hand, identifying and comparing strategic decisions of practices operating in two inherently different markets of activity is not without its challenges. Although respondents answered all research questions, it should be noted that, some answers could be biased and/or not communicated due to the confidentiality clauses. Another limitation that needs to be taken into account is that, it was not possible to analyse the UK firms included in the context of this research with the similar methodology that is hitherto described for Turkish practices. Therefore, the validity of the results is questionable.

CHAPTER 3
DRIVERS OF CHANGE

3.1 Introduction:

To perform a general analysis of architecture profession in a realistic approach, prevailing conditions and values in the society should be identified. This chapter aims to provide insights into the future prospects of the country that effect the strategic decisions of practices in the sector in three level: While Section 3.2, Section 3.3 identify the external environment of an architectural practice in wider-environment and construction industry levels, Section 3.4 discusses the overall circumstances with particular emphasis on the profession.

3.2 Macro-Environment Level:

3.2.1 Political Outlook:

Erhan (2002) reports that, after 1980 military coup, the constitution was suspended, all political parties were banned and huge numbers of trials and sentencing were conducted in Turkey. The success of organisations like Association of Turkish Industrialists and Businessmen (TUSIAD) and The Union of Chambers and Commodity Exchange (TOBB), which were supporters of the military regime and the following government, brought their power into political play. (Kongar, 2002) During this period, the private sector was supported by every means. Therefore, both the capital accumulation of holding companies and the real production increased. (Sönmez, 1988, Ulagay, 1987).

From the second half of the 1980s until the end of 1990s, terrorist activities of Kurdish separatists (PKK) and rise of political Islam occupied most of Turkey's agenda (Erhan, 2002) On the other hand, Turkish Army once more intervened in politics to prevent the rise of political Islam and forced the ruling Islamic-oriented Welfare Party to leave the government in 1997.

Table 3.1 provides a SWOT analysis of the current situation in political arena. Today, the Islamically based AKP's strong majority in 2002 election runs counter to Turkish history, where weak coalitions have been the norm (BMI, 2006). Although negotiations for EU accession already begun, prospects of rapid accession is poor. Furthermore, while there are fears over Kurdish extremism a significant external threat to develop is not anticipated for the country (BMI, 2006).

Strengths:	Weaknesses:
▪ Government policy is underpinned by EU accession and the IMF stand-by agreement, suggesting medium-term policy-continuity oriented around political and economic liberalisation. ▪ Turkey has strong relations with the US, which has consistently supported it in multilateral institutions such as IMF ▪ In contrast to other Muslim states, the strong traditions of secularism and the gradual entrenchment of parliamentary democracy limits the appeal of extremist groups.	▪ There has been no resolution to the decades-old partition of Cyprus, After Greek southern Cyprus rejected a UN-backed unification plan in 2004. ▪ Kurdish desire for autonomy or separatism-which could be encouraged by the push by Kurdish groups for autonomy in northern Iraq-presents some threat to stability and political reform. ▪ Economic volatility in the past has resulted in weak administrations, exacerbated by the limited preferential D-Hondt voting system that militates against strong government.
Opportunities:	**Threats:**
▪ The entrenchment of greater human rights and democratic norms as Turkey gradually ensures that its legislation coheres with EU norms. ▪ Co-operation with the US, EU and UN over Cyprus should increase its political capital. ▪ Greater economic stability should reduce the swings in government witnessed in recent years.	▪ There is a possibility that Greek Southern Cyprus will interfere with Turkey's EU accession process in the absence of political resolution of the island's division. ▪ Anti-Western groups, Kurdish separatists and al-Qaeda sympathisers could commit further terrorist attacks.

Table 3.1: Turkey Political SWOT Analysis. Source: The Turkey Business Forecast Report-Q3 (2006)

3.2.2 Economic Outlook:

Despite the rapid acceleration in export and tourism incomes, Turkey faced a high rate of inflation due to the increasing public finance deficits after 1980's. The economical crisis in 2001 proved that existing system had serious shortcomings. Therefore, a new economical programme has started to be executed to overcome the problems and accomplish national targets. Güneş et al. (2004) claims that, the future of construction sector will be strongly influenced by the course of EU negotiations and its economic implications. Table 3.2 identifies the three scenarios suggested in Construction Sector Strategic Plan;

Optimistic scenario: Turkey will be a member of EU in a 8-10 years period	Significant fall in risk ratings Strong incentives to invest Low amount of financial risk High growth rate until 2014 (average of 8% per year) 5% inflation.
Base scenario: Turkey will not be given a date for full membership.	Persisting uncertainties Modest fall in the risk rate. 5% annual growth rate of and 7% inflation.
Pessimistic Scenario: Strained relationships between EU and Turkey	Economic and political instability Increasing uncertainty Keep the 3.5% growing rate in 1990's 15% annual inflation

Table 3.2: Future Scenarios for Turkish Economy. Source: Dogru (2006), adopted from Güneş et al., (2004)

According to BMI core scenario (2006), although the economy remains vulnerable to investor confidence due to a high level of external debt and a large current account deficit, macro economic indicators are expected to improve over the medium-term, with growth holding steady around 5%. Therefore, the base scenario is estimated as the one that is more likely to occur in the next 10 years time. Table 6.2 outlines the economic analysis according to actual indicators.

Strengths:	**Weaknesses:**
▪ Economic reform-especially of the state-owned industries and banking sector-will continue to reduce structural weaknesses. ▪ The reform process is underpinned by the IMF stand-by agreement and the EU accession process, minimising political risk to further economic liberalisation. ▪ Turkey enjoys an open and increasingly liberal trade and investment climate.	▪ High levels of external debt pose a risk should confidence falter. ▪ Reliance on domestic and international portfolio investment to support the balance of payments position suggests that the currency could collapse if investment flows falter.
Opportunities:	**Threats:**
▪ The strong currency has supported efforts to reduce inflation and strengthen domestic demand. ▪ Now that the EU has agreed to begin the accession negotiations, Turkey will gradually become a 'convergence play' for investors, increasing flows of portfolio and fixed investment ▪ The reform programme should increase the opportunities for investment in privatised state firms.	▪ Strong investor confidence has led to the appreciation of the currency, which has contributed to a large current account deficit. This increases the risk of an inflation-inducing currency sell off should confidence evaporate. ▪ The failures of past governments to demonstrate fiscal prudence increases concern over future budgetary over-spend. ▪ Instability in Iraq, or domestic (or regional) terrorism, could lower investor confidence.

Table 3.3: Turkish Economy SWOT Analysis. Source: The Turkey Business Forecast Report-Q3 (2006)

3.2.3 Social Outlook:

Different aspects of Turkish culture results in various ways: There exists a continuous struggle between the Asian-Middle Eastern dimensions and the Western dimension, which creates identity crises in society level; What is more, there is a non-negligible distinction between the ruling elites and the rest of the society. Nevertheless, since the foreign policy is formed and implemented by the Westernized elites, Western values gain superiority in state system and therefore in foreign politics (Erhan, 2002).

According to Erhan (2002), the Asian origins of the Turkey, shows some of the characteristics of feudal society, where obeying the leaders is more common than obeying the institutions and respect for the authority creates strong support for the military coups. Due to the common

religious grounds, Turkish people bear the specialties of the Middle East as well. Sympathy with the oppressed people of Palestine, Chechnya or Bosnia in Turkish society originates from the sense of religious brotherhood and Turkish foreign policy approaches delicately to these issues. On the other hand, there is a strong Western influence in Turkey. Chislett (2000) states that, even though geographically 96 per cent of Turkey is in Asia and the population is predominantly Muslim, most Turks feel at least partly European. Opinion polls show an overwhelming support for the EU membership as this is identified with higher living standards and greater democracy.

Kongar (2002) emphasises three main processes that are expected to influence the social structure of Turkey in the coming years; *globalisation* that weakens the nation-state, *urbanisation* that creates an arabesque plundering culture which diffused into political parties through the delegation system and *democratisation* that propagates the public participation in the administration of the country. Alpay (1991) summarizes the results of his work called "Turkey in 2020" as follows:

- A wealthier Turkey that reached upper levels in the list of the richest countries in the world; however, could not catch up yet with the most developed countries.
- A more democratic Turkey that attained the high standard of Western democracies with its own democratic regime.
- A more influential Turkey that never deviated from its historical route directing towards the West and plays an important political-economical role in the region although it is not a full member of EU.

3.2.4 Technological Outlook:

BTYK established in 1983 to play an active role in formulating the national Science & Technology policy as the central component of the National Innovation System, reacting swiftly to the developments of the world. In 2000, the "Vision 2023" project has been formulated by BTYK to set policies and priority areas for the next two decades, in order to create an innovative economy and society. Kök (2004) informs that, activity areas in which Turkey has to improve/gain capability or which she has to develop, has been listed under the headings of Biotechnology and Gen Technologies, Information Technologies,

Nanotechnology, Mechatronics, Design Technologies, Production Methods and Machinery, Materials, Energy and Environmental Technologies.

3.2.5 Environmental Outlook:

EIA (2002) data shows that, Turkish energy consumption has risen dramatically over the past 20 years. From just 1.0 quadrillion btu (quads) in 1980, Turkey's domestic energy consumption has more than tripled, reaching a level of 3.3 quads in 2003. Of Turkey's total energy consumption, around half is used by the industrial sector, a quarter in residential, and the rest in transportation and commercial.

Although analysts claim Turkey's continually increasing energy consumption is needed to power the developing economy, according to the environmental critics Turkey's economic policies have encouraged energy waste. As part of the Turkey's efforts to join the EU, Turkey has incorporated numerous EU energy laws and standards into its own national energy legislation. In addition, Turkey has ratified the Kyoto Protocol on global climate change. Hence, Turkey needs to take environmental considerations into account as it resumes economic growth in coming years. Improved energy efficiency is a key to this strategy. Overall, Turkey's energy demand is expected to increase by 2.9% annually through 2020, while carbon emissions grow by a somewhat slower 2.2% yearly rate, as natural gas and renewable consumption grows faster than coal usage (EIA, 2002).

3.3 The Construction Industry Level

The construction industry in Turkey is a leading generator of jobs and revenues domestically. According to Turkish Construction Sector Report – 2005, the construction investments constitutes about 60% of the realized investments. While it has 6% direct share in GDP, considering the indirect impacts of construction on other sectors, this amount rises up to 30%. (Özdamar, 2005)

Figure 3.1 gives a breakdown of the value of construction works in 2004. The construction industry is comprised of residential, transportation and civil infrastructure and non-residential structures. With a population of over 70 million and a rapid urbanization, Turkey continues to experience high demand for new housing. The earthquake in 1999 created an additional shortage of housing units.

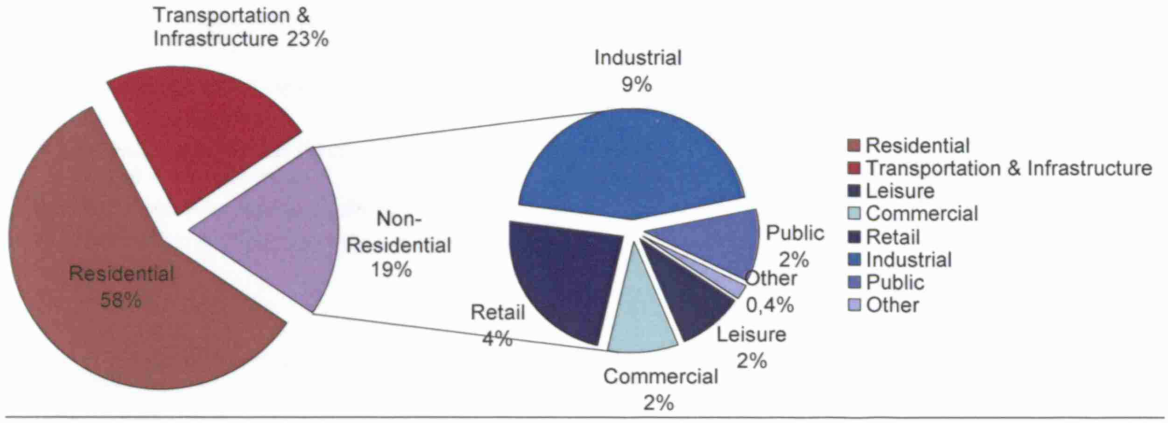

Figure 3.1: Distribution of the value of construction works in Turkey. Source:Dogru(2006), adopted from DIE (2004)

The government is the main financier of infrastructure projects and public services. It has a 40% share in total construction investments. Turkish Government has recently signed a protocol with the Japanese Government for the financing of a Bosphorus tunnel connecting Europe and Asia to ameliorate Istanbul's traffic problems. Also, a joint project between the GOT and the World Bank aimed at rehabilitating roads in major tourist destinations around the country is currently underway. (Özdamar, 2005)

Despite the relatively small scale of Turkish contractors according to their international rivals and recent regression in financial structures of the firms, Turkish contractors increase their competitiveness and experience on international markets. What is more, Turkey has a strong manufacturing industry that supplies inputs to the sector particularly for cement, structural steel, brick, glass, timber and marble products. About 80% of building materials are produced locally. Turkey is the largest manufacturer of cement in Europe and one of the top glass manufacturers in the world (BMI, 2004). If the government succeeds to carry out the EU negotiations and 'National Programme' prescribed by IMF which is directed to ameliorate the problems of public and finance sector, the demand for construction services is likely to rise in the future. Table 3.3 further outlines the internal and external factors that have an impact on the sector.

Strengths:	Weaknesses:
▪ Relying on native capital to a great extend ▪ Increasing housing demand every year. ▪ Sufficient number of skilled technical workers ▪ Adequate equipment capacity ▪ Technologic knowledge ▪ International experience and capability of working abroad where it is needed. ▪ Experience in international tendering ▪ Technologic superiority (powerhouses, petrochemical industry, etc.) ▪ Reasonable costs.	▪ Shrinking market volume, increasing number of firms and capacity ▪ Inadequate number of unskilled construction workers. ▪ Lack of incentives for international works. ▪ Inadequate relationship between public and private sector and bureaucracy. ▪ Low construction quality and 75% repair and maintenance requirement among the buildings.
Opportunities:	**Threats:**
▪ High level of demand potential ▪ High level of export potential ▪ Offering construction services to Europe in the case of a possible EU membership.	▪ Higher level of risks compared to other sectors ▪ Assurance required by clients ▪ Unresolved sector problems ▪ Decreasing public investments ▪ Risk of earthquake

Table 3.4: Turkish Construction Sector SWOT Analysis. Source: INTES 2004 Sector report and Business Monitor International 'Turkish Infrastructure Report' (Q2-2005)

As it is illustrated in Figure 3.2, the sector value added which is 4, 8 million YTL in 2003 with 1987 fixed prices, is expected to reach 7, 9 million YTL by the end of 2014. This responds to 60, 9 % total and 5 % annual growth in sector according to the base scenario.

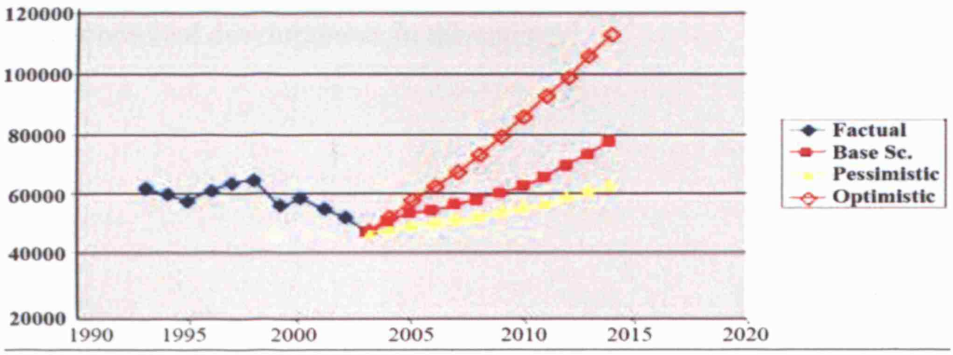

Figure 3.2: Real Value Added by Construction Sector (million YTL). Source: Güneş et al., (2004)

3.4 Architecture Profession Level:

According to Hasol (2003), despite many successful buildings taken singly, due to social and economic upheaval, contemporary Turkish architecture has been adversely affected by the disorganized and rapid development of society and cultural disintegration which has resulted. A delayed industrial revolution and excessive population growth have brought uncontrolled, unplanned, intensive and anarchic urbanisation. Hasol (2003) goes on arguing that, the cultural degeneration that has become widespread throughout the country is the foremost obstacle preventing Turkish architecture from making its presence felt.

Ekinci (2002) states in his article that, building development profits and speculative construction which began in the 1950's came to dominate the country in the last 30 years, supplanting the rules of architectural and urban planning which rested on a heritage going back thousands of years. Populism nourished by the deterioration in administration, spread from the centre to the periphery at every level. Furthermore, production declined in favour of profits on land and real estate.

These political and economic factors reflected on architectural culture and city planning as an unplanned, even illegal, urbanisation process which chose and identified with anonymous building development that maximised the users and sellers market in stead of sensitivity towards people, the environment and the quality of architectural space. Table 3.5 outlines the evolution of the profession and the industry in the last 25 years, by pointing out major social, political and economical developments in the country.

Period	Social-Political	Economical	Construction/Planning	Architecture Assoc./ Chamber of Architects
1980-1990	• September 12th. military coup • 1982 Constitution • Affects of the coup and military intervention • PKK terrorism (1987)	• Liberalism: foreign currency, import-export • Broker incidents • GAP (south-east project) dam. • High inflation • Government over debts	• TOKİ (mass housing directorate), increasing sector activities • Improvements in international construction services • Urbanisation is neglected by settling ministry united with public works ministry • Urban planning authority is given to municipalities from ministry (1985) • Illegal Housing discharges • Urban reformation plans • Title deed of squatter settlements • Land certificate	• Foundation of Union of Independent Architects(1987) • National Architecture Exhibition and Awards (1988) • Architecture Magazine started to be published • Chamber of Architects adopted an institutional structure and nation wide recognition (1987-1993)
1990-2000	• Gulf War • PKK terrorism and South-east incidents • Coalition governments • Fragmented political party structure • Anti-secular mentality gained power. Islamic Welfare party is closed.	• Privatisation efforts • Liberal economy • Partial inception of GAP project (1994) • 1994 financial depression • High inflation	• Interruption in mass housing fund. Unfinished houses • Squatter settlements • Continuous shrinking in the sector after 1994 • Massive shopping malls and skyscrapers • Pursuit for new solutions after the 1999 earthquake.	• Chamber of architects is 40 years old. • Architecture Foundation is established • Efforts to set a code of profession • New Chambers: Chamber of Interior Archs., Chamber of Urban Planners, Chamber of Landscape Archs.; Authorisation disorder • Clients increasingly prefer foreign architects in big projects • Excessive increase in number of architecture schools
2000-2004	• Military intervention of US military to Iraq • Coalition governments • As a result of November 3rd., 2002 elections one political party period • Anxieties to return political Islam • Globalization as a cause of cultural erosion	• 2001 economic crisis • High amount of national and international debts • Being dependent on IMF and WTO • Efforts for EU membership • Decreasing inflation and interest rates • Non- increasing production, Increasing debts	• Negative effects of 1999 earthquake • Interruption in the investments and shrinking of the sector again • Construction Auditing Law • Public Tendering Law	• Preparations for UIA 2005 Istanbul congress • Architectural Education Congress • Accreditation works for the general agreement on architecture services • Chamber of architects is 50 years old. -21 branches, 73 representative agents, -36000 architects, -42 faculty of architecture

Table 3.5: 25 years of Chamber of Architects and Turkish Atmosphere. Source: Hasol (2004)

CHAPTER 4
EVALUATION OF THE CURRENT SITUATION

4.1 Introduction:

This chapter introduces the main aspects of architectural practices in Turkey which will allow applying the set context to large size practices in the following stage. Section 4.2 reviews the size and format of the practices that is directly interrelated with the type of organisational structure. Section 4.3 looks into the development method of the firms relating the discussion with Turkish offices. In Section 4.4 three types of related diversification for architectural practices are offered while in 4.5, the international works in the construction sector and profession level from 1980 to 2005 has been presented. Lastly, in Section 4.6, it is focused on types of clients that demand architectural services.

4.2 Firm Size and Structure

Architects' practices in Turkey are generally small with very few big offices employing more than 40 staff. Although there are no comprehensive statistics collected by Chamber of Architects, according to Independent Architecture Practices Report, 2005 which includes 123 practices operating in 3 biggest cities of Turkey, average number of permanent staff in Turkish practices is 5. As it is demonstrated in Figure 4.1, the number of firms that employ more that 20 people is only 3%.

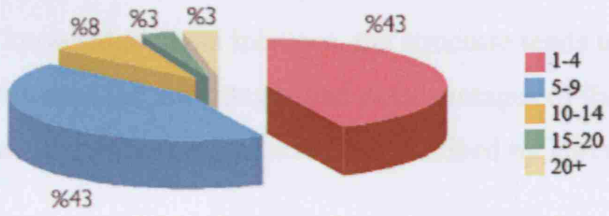

Figure 4.1: Number of permanent staff in architecture practices in Turkey (Zaimoğlu et al.,2006)

4.2.1 Legal Format:

Legal status of architecture firms depends on the business targets, capacity of work and characteristics of the founding members. According to Turkish Commerce Law Article 13, offices that work on creating and selling fine arts are regarded as commercial institutions and therefore subject to adopt one of the legal structures provided in Appendix IV. Turkish architecture offices are usually established under joint stock company and limited liability company status. Nevertheless, the form of sole trader is also preferred by small offices due to its advantages in taxation (Ökmen, 1996).

4.2.2 Organizational Structure:

Management style of a practice is determined according to the work policy of the firm. This is directly related with the country's level of economic improvement and nation wide level of professional organisation (Altaş, 1994), which is briefly outlined in the previous chapter. When a firm targets to enter international markets or work locally, broaden or narrow down its activities, grow or downsize as a policy, the process is often accompanied by some organisational changes.

Altaş (1994) identifies three levels of organisation in architecture practices;

- Professional organisation in national level
- Professional organisation in firm/practice level
- Professional organisation in project level

In the context of this research the organisational configurations of large size architecture practices in firm level is being analysed. Dinsmore (1990) suggests that some organisational models conform to the nature of projects better than others. What's more, as the staff number and relationship networks such as roles, responsibilities, allocation of tasks, decision-making, communication and knowledge flows increase, the structure tends to be more diverse and complex. Table 4.1 outlines the advantages and disadvantages of the structural models that can be applied to firms that offer project services described by Haviland (1981).

MODEL	DESCRIPTION	PROS	CONS
Generalist	• 2-3 partners • 10-20 staff • No sub-groups formed for management purposes • A project manager is responsible for 4 to 8 people • Hierarchical project management style • Applicable for small enterprises	• Conformity with project size and context • Flexible structure with respect to skills and project requirements. • Consistent process and service quality • High level of communication. • Simple organisation structure • Effective working environment	• Over engagement of executives • Difficulties in staff management • Difficulties in the control of more than one projects at a time.
Studio	• 2-3 partners • Self-sufficient sub-groups to give a design service are formed. • Created as a response to increase in the volume of work.	• Execution of the projects by a single person • Share of work and responsibilities • Strong communication in a project scale • Active decision-making by executives	• Distortions in design and project process standards. • Conformity problems related to the project size • Difficulties of fragmented management
Departmental	• Technical specializations are formed under divisions. • According to type of given service; interior architecture, urban design, engineering or process based such as briefing, design, production, etc.	• Share of responsibility and expertise • Effective delivery of the work • Assisting innovation and training • Consistency in expertise areas • Flexibility in appointing staff to projects	• Interruptions in project delivery • Formation of different interest groups in service and project objectives • Knowledge losses between departments. • Difficulties in unifying project decisions. • Statute problems between managerial levels
Matrix	• Both the project managers and heads of the divisions report to senior executives • Functional responsibilities are allocated between projects and divisions by the senior management • It appeals to complex and substantial organisations.	• Control on project resources • Contuniuty in flow of reponsibility • Acceleration in project development • Sharing the senior staff • Effective problem-solving	• Necessity for executives • Uncertainities in functional responsibilities • Balance problems between divisions and project groups

Table 4.1: Organisational Structures of Architectural Offices. Source:Dogru, (2006), adopted from Haviland (1981).

4.3 Development Method:

4.3.1 Internal Development:

Internal development is where strategies are developed by building on organisation's own capabilities (Johnson et al., 2005).

A firm can prefer to grow organically due to the following reasons;

- Process of development is seen as the best way of acquiring the necessary capabilities
- Market knowledge may be a core competence when developing into a new market
- Spread the cost of developing new activities over time
- Not being able to find a suitable target for acquisition
- Avoid the problems arising from different organisational structure, culture or incompatible interests

The nature of demand for architectural services is affected by the economic situation and expectancies to a great extend. In Turkey, investment in construction is often seen as hazardous due to the fluctuated economic situation. Therefore, the workload of architecture practices is highly inconsistent. These results the firms choose to grow according to the capacity of their work at a given time with temporary staff (Altaş, 1994) rather than major one-off investments.

Nevertheless, running a small practice is not a sign of failure; Littlefield (2005) claims that, staying small allows an architect to keep a firm grip on the creative process, to respond quickly to client demand and to remain free of the inevitable administrative burden of employing large numbers of staff. Although a certain amount of growth and shrinkage is inevitable, large firms usually have an optimum size – beyond which they lose the culture, informality and cohesiveness which made them successful in the first place.

4.3.2 Growth by Acquisitions and Mergers:

Acquisition is where strategies are developed by taking over ownership of another organisation. There are a number of reasons why a firm may choose to grow this way;

- Speed to enter new product or market areas
- Reduce the risk of competitive reaction where the market is steady
- Financial motives
- Exploit an organisation's core competencies
- Cost efficiency by merging units
- Benefit from organisational learning advantage of an established firm
- Shareholder interests

According to Çimen (2001), if the Turkish firms are to expand their activities in foreign countries, the two most important factors are to minimise costs in international relations, and to seek out partner firms in foreign countries. He argues that, acquaintance usually leads to friendships and this to further joint projects.

4.3.3 Alliances:

A strategic alliance is to share resources and activities between two or more organisations to pursue a strategy. Most common types of alliances in construction sector can be listed below;

- *Joint Ventures* are arrangements where organisations remain independent but set up a newly created organisation jointly owned by the parents (Johnson, 2005). In Turkey, there has been an extrovert approach to architecture and engineering since 1980's in national level. Construction and design services are started to be exported firstly to Middle East countries and then, after the disintegration of SSCB, to Central Asian Republics.

Along with increasing international activity, Turkish firms have been in joint ventures with foreign companies which resulted in structural changes. In situations where the firm is expected to have a project organisation that accommodates in house engineering services as a prerequisite, these firms usually agree to tender under the name of one enterprise, and bid for the project as a single body (Altaş, 1994).

- *Networks* are arrangements whereby two or more organisations work in collaboration without formal relationships where there is mutual advantage in doing so. Engineering services usually do not take place in the organisation of small and medium enterprises. Nevertheless, there are engineering and other specialist firms that architects typically work with and project based partnerships are established as a common way of practice. Altaş (1994) argues that this relationship provides necessary economic independence for both the architecture and the engineering firm in an instable and fuzzy market for construction services and allows to choose from more than a single company.

- *Subcontracting* is a type of alliance that a company chooses to outsource particular services or part of a process. This type of an arrangement is usually contractual, nevertheless is unlikely to involve ownership (Johnson, 2005). Outsourcing construction services to other countries particularly applies to advanced economies where skilled workforce is costly.

4.4 Related Diversification:

Related diversification can be defined as strategy development beyond current products and markets, but within the capabilities or value network of the organisation (Johnson, 2005).

4.4.1 Traditional (process based) Integration:

This type of diversification shows a horizontal and linear character, similar to the traditional assembly line production in which the product or service passes consecutively from operation to operation until completed. Specialization stems from the project development process. Ünlü (2006) states the common process based specialization areas in practice as follows:

- Procurement and conceptual project architecture
- Detailing and application project architecture
- Architectural Illustration
- Building Surveying
- On-site Architecture

4.4.2 Vertical Integration

Vertical Integration results from economic factors and technological improvements. A vertical integration strategy in the construction industry will decide how much control and influence a company wants over the various stages of funding, design building and operation (Richardson, 1996). Ünlü (2006) mentions three types of vertical integration for architectural practices in his article:

- Facade architecture:
- Building materials manufacturing, sale and application:
- Facility management:

4.4.3 Horizontal Integration

Horizontal integration is development into activities which are complementary to the company's present activities. The most common examples of this strategy in architecture firms are;

- Consultancy
- Real-Estate Development
- Engineering
- Construction
- Project Management

4.5 Geographic diversification

During the periods in which investments slowed down in the public and private sectors, foreign contracting services gained importance in Turkey. The shrinking of the economy and the bottleneck in the sector resulting from it, has forced construction companies to concentrate more on business abroad (TCA, 2006). However, exporting a service is harder than providing a service in one's own market, requiring as it does tackling problems such as a foreign language, foreign character, different laws and payment system. In addition, the large number of expenses to be defrayed abroad prevents architectural firms from designing for foreign countries. For this reason, the export of architecture is possible only for architectural firms prepared to invest long years of work and even to sustain losses (Çimen, 2001).

4.5.1 Turkish Firms Operating Internationally

The opening of the Turkish contractors to foreign markets started at the beginning of the 1970s. The first country to which Turkish contractors exported their services was Libya, where they started their projects by importing the necessary technology from European countries. Since the beginning of the 1980s, the Turkish Contractors have oriented themselves more towards the former Soviet Union countries. In the 1990s, due to the economic depression and the political uncertainties in the Middle Eastern and North African countries, the Turkish Contractors have focused predominantly on the Commonwealth of Independent States, Eastern Europe and Asian countries.

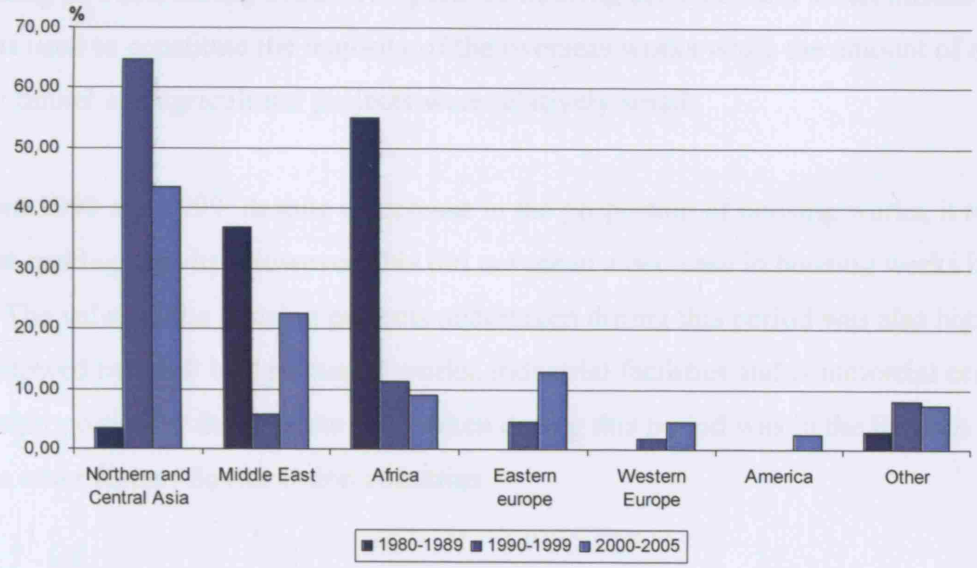

Figure 4.2: Distribution of the works of Turkish contractors by country. Source: TCA (2006).

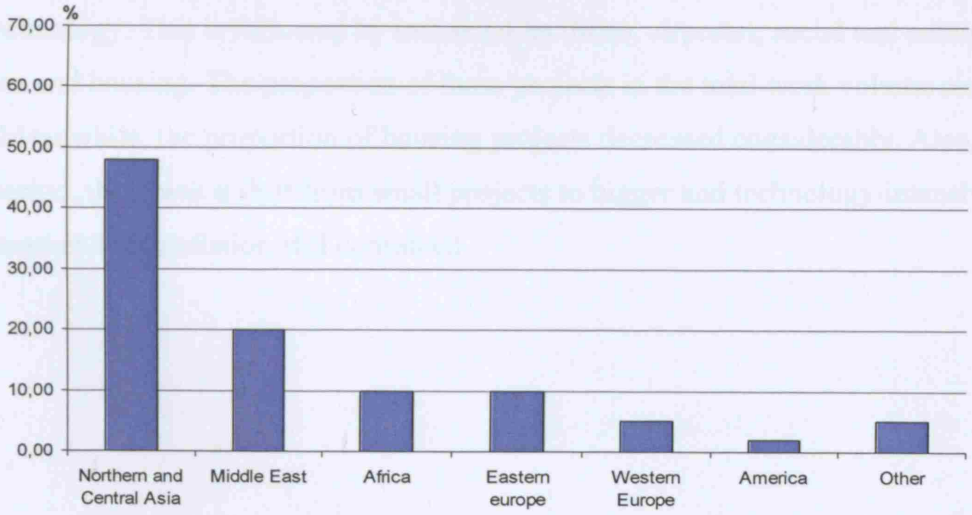

Figure 4.3: Geographic areas Turkish architects work internationally (Source: Yapı, 2006).

Figure 4.2 shows how the market for international construction projects has transformed geographically between 1980 and 2005 relying on the data from 136 member contracting companies of TCA. Figure 4.3 illustrates the same data applied to 123 architecture practices in the final (2000-2005) time interval according to Architectural Practices Report 2005. These two figures demonstrate a strong correlation between the areas that the Turkish contractors and architects undertake project internationally during the last time period. This indicates collaboration between the two project organisations.

4.5.2 Types of Projects Undertaken:

According to TCA, during 1980-1989 periods, housing activities and urban infrastructure projects used to constitute the majority of the overseas works while the amount of road/ bridge/ tunnel and agricultural projects were relatively small.

Between 1990 and 1999, despite a decrease in the proportion of housing works, it remained the first ranking activity. However, this did not mean a decrease in housing works in terms of value. The value of the housing projects undertaken during this period was also high. Housing was followed by road/ bridge/ tunnel works, industrial facilities and commercial centres. The highest proportion of the projects undertaken during this period was in the Russian Federation and the other former Soviet Union countries.

When the types of work undertaken during 2000-2005 are considered, road/bridge/tunnel works occupy the first rank, which required high expertise, project management skills and high technology. This is followed by industrial facilities, airports), social and cultural facilities and housing. The proportion of these projects in the total work volume reached 59%. Meanwhile, the proportion of housing projects decreased considerably. Also, during the same period, there was a shift from small projects to bigger and technology-intensive projects, while market differentiation still continued.

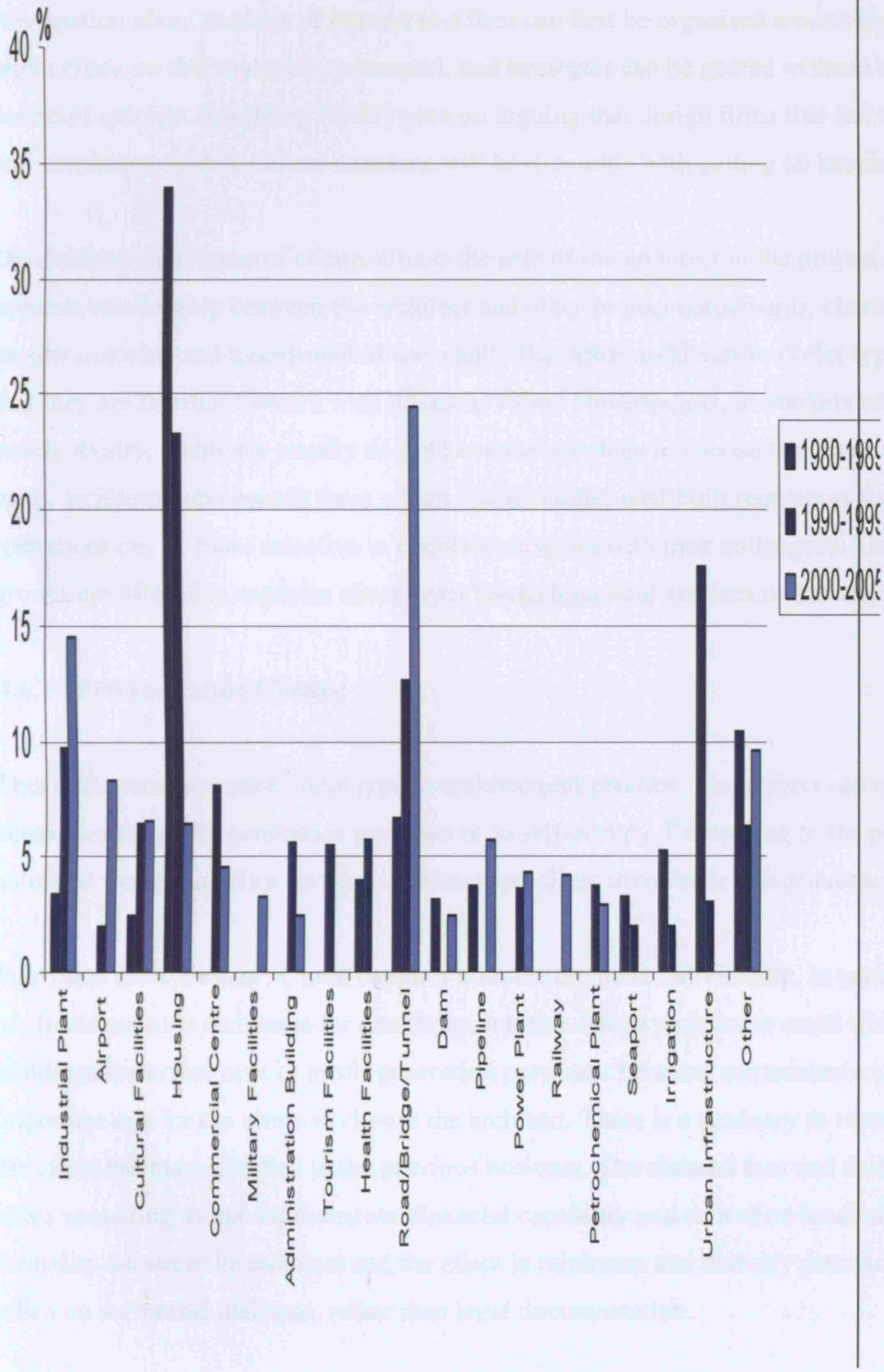

Figure 4.4: Distribution of internatioanal works according to the project type. Source: Dogru (2006), adopted from TCA (2006).

4.6 Client Diversification

In professional practice, clients differ in their social statute and institutional configuration that may have different objectives, demands and requirements. According to Spaulding (1989), information about markets of interest to a firm can best be organised around the targeted client types, so that materials, personnel, and strategies can be geared to those clients and accessed quickly. Spaulding (1989) goes on arguing that design firms that fail to understand and emphasize with the client concerns will have trouble both getting an keeping clients.

Diversification in types of clients affects the role of the architect in the project delivery process, relationship between the architect and other project participants, characteristics of the project outcome and assessment of the result. This leads architects to prefer types of clients that they are familiar to work with (Ökmen, 1996). Nevertheless, in markets where there is a severe rivalry, architects usually do not have the privilege to choose the client. On the other hand, architects who benefit from a high social statute, well-built reputation and prestigious references can be more selective in clients comparing with their colleagues. The following groups are offered to organise client types for architectural services in Turkey;

4.6.1 Private Sector Clients:

This is the most common client type in architectural practice. The project can either be demanded for profit generation purposes or to self-occupy. Comparing to the public sector, nature of the relationship between architect and client involves less bureaucracy.

Individual entrepreneur: Client contacts with the architect individually. In general, this type of clients consults architects for dwellings, interior design projects or small scale commercial buildings for investment or profit generation purposes. Personal acquaintance plays an important role for the client to choose the architect. There is a tendency to repeat business, if the client has been satisfied in the previous business. The claimed fees and delivered service alters according to the requirements, financial capability and education level of the client. The formality between the architect and the client is minimum and delivery process is usually relies on reciprocal dialogue, rather than legal documentation.

Commercial enterprise: These institutions are established for commercial activity and profit making. The requirements change according to the size, market and organisational structures of the firms. Office and industrial building projects are among the primary project types demanded by these clients. The design features such as function, image, flexibility, cost-efficiency and aesthetics are usually subject to the prestige, statute and financial power of the client. These clients may either have an in-house architecture team or choose to audit the design process with the mediation of their consultants.

Contractor firms and real estate developers should be evaluated separately since they can be either the client or a part of the project. They usually employ a design team within their organisation to meet their own needs. Nevertheless, in the cases where the client demands an architectural service, they tend to sub-contract an architect for the project.

4.6.2 Cooperatives:

Cooperative is a type of multiple ownership in which the residents of a multi-unit housing complex own shares in the cooperative corporation that owns the property, giving each resident the right to occupy a specific unit. The primary drive in cooperative housing projects is to meet the dwelling requirements of its members with the minimum possible cost. Due to the increasing housing shortages, cooperatives are indispensable clients for construction sector.

4.6.3 Public Sector Clients:

Public institutions occasionally require buildings that have different functions in order to give service. Therefore, public sector is an important client in construction sector, especially in developing countries, where the institutional structure has yet to be completed.

Government organisations: Due to their wide-spread network throughout the country, hierarchical public mechanisms and high work potentials, governmental organisations are often seen as the most complex clients. Usually, they rely on the principles of Ministry of Public Works and Settlement in their projects and high level of bureaucracy is involved in the projects.

Municipalities: As well as being the authoritative body for inspection of the buildings within their borders and building permissions, municipalities also award their construction works to independent architects, although they benefit from their in-house project team for small-scale works. Under the Public Procurement Law, No.4734, municipalities are bound to announce a tender for their projects.

Federal Agencies: In most cases, the building requirements of the army are met by General Staff Construction Property Office. Otherwise, the project is awarded either by competition or commissioning of an esteemed architect

4.6.4 Non-profit Organisations:

Political parties, unions, clubs, foundations, religious formations can also be accounted as clients for architectural services. While the project types that are demanded by these associations differs according to their functional area, cultural, religious, health and administration buildings are among the most common requirements for these clients.

Beyond public and private clients there are other actors increasingly play an important role in determining, the actual conditions of the built environment. Among these notable are the financiers: private and public banks, mortgage banks, insurance industry, pension and investment funds etc, and cities and public authorities.

CHAPTER 5
EXTERNAL FACTORS

5.1 Introduction:

Turkey initiated its long process of integration with the global market commodity and financial markets in 1980. Today, in parallel to the changes worldwide, not only trading goods but also the professional services occupy the agenda of the country that is expecting to be a member of EU in 10 to 15 years time. This chapter firstly discusses about the implications of these prevailing global trends on the profession from broader context in Section 5.2 and then explores the EU process; in particular, GATS agreement, its effects on competition and quality of built environment in Section 5.3.

5.2 Globalization:

Globalization is the process of the complete integration of the constituent parts of the world economy with each other and with international markets. Nation-states as distinct economic identities pursuing national objectives are expected to disappear. What remains will be an integrated transnational economy where goods, factors of production and financial assets will be perfect substitutes wherever they are located (UNCTAD, 1997). Tanyeli (2000) emphasizes that, globalisation is not a phenomenon, concept or policy that can be opposed or supported, but a natural consequence of the modern era we live in.

Although building a house is much the same process everywhere, what matters in the increasingly globalising market of services is to be acquainted with different working methods and different places, and above all to know numerous people. According to Richardson (1996), the challenge of design professionals is the management all the variables of strategy, cultural diversity, logistics and delivery alongside ever changing technology. Figure 5.1 shows the globalisation of service sectors in the recent past.

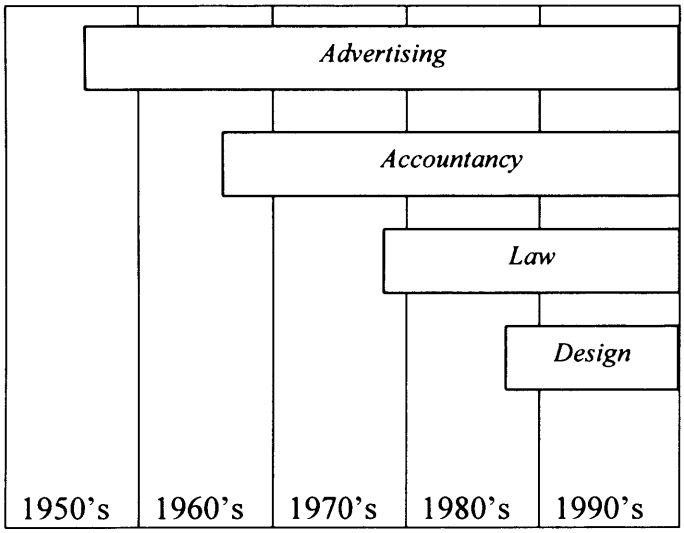

Figure 5.1: Five decades of globalisation of professional services. Source: Brian J. Lewis Company. (Cited in Richardson, 1996)

Turkey has been exposed to effects of this trend from the beginning of 1990's. Coupling with the admiration for western cultures in the society, more often than not, clients regard foreign architects' services paramount to local practices. As a result of this, foreign architects are increasingly being awarded for significant private and public projects in Turkey.

Hasol (2000) mentions some of the large-scale projects delivered by foreign architects during 1990's in his article;

- Galatasaray Ali Samiyen Stadium
- Istanbul Olimpic Stadium
- Additional units for Istanbul Atatürk Airport
- Şişli Commercial Centre
- Etiler Office and Commercial Centre
- Kemer Country Homes
- İş Bank Skyscrapers
- Istanbul Congress and Cultural Centre
- Oyakbank Headquarters
- Sabancı University Campus
- Koç University Campus
- Yapı Kredi Bank Operations Centre

Hasol (2002) argues that, globalisation aided by economic development, may lead to the creation of a more disciplined, healthier physical environment and a higher quality of life. But if local trends are ignored as far as architecture is concerned, the creation of this "global village" will lead inevitably to the creation of a monotonous landscape devoid of local colour. Bozkurt (2005) cites 3 chief enforcements of globalisation;

GATT; put forward by WTO, this agreement ensures the free circulation of goods,
GATS; another treaty of WTO that entered into force in 1995, created to extend the GATT multilateral trading system to services
TRIPS; deals with copyrights and sets down minimum standards for most forms of intellectual property regulation.

In 1995 by entering the Custom's Union, Turkey recognized GATT agreement. What is more, the efforts to get access to the EU speeded up since mid-1990s. Hence, GATS treaty, which will come to effect in case of full membership, has important implications on the profession for the future, which will be discussed in Section 5.3.3

5.3 Profession in the process of EU Membership

It is hard to determine when the full membership to European Union will happen and to which extend it can provide a ground for architecture services be traded over borders. Nevertheless, Aktüre (2003) informs that, UIA has started to prepare the conditions that will make this possible such as accreditation in education, internship and continuous professional development. Moreover, Turkey increasingly started to experience the presence of foreign practices and their branches in Turkish market. Likewise, many Turkish architects, work in collaboration with contractors that work in other markets.

Independent Architecture Practices Report, 2005 reveals that, 70% of the architects support EU membership. According to 19% of the participants there will be negative changes in the profession; local character of architecture will be jeopardized, national architects will work as a sub-contractor and the profession will be marginalised. Among those who are optimistic, 20% of the architects stated that there will be more conformity with standards and legal arrangements will be ameliorated, 16% believe that there will be a transfer in competition, technology and finance, while the percentage of the architects that think EU membership will provide better quality is 11% (Zaimoğlu, 2006). Figure 5.X. demonstrates the perceived advantages of EU process by architects.

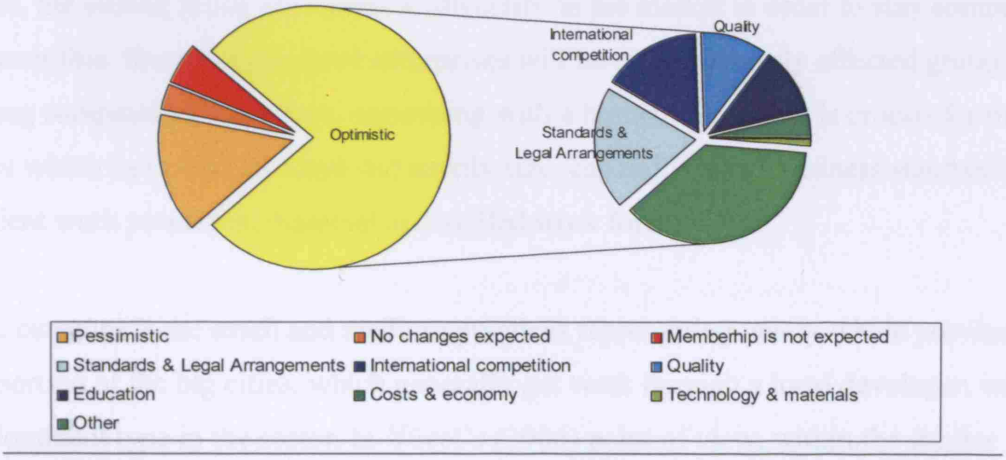

Figure 5.2: The probable change in Architectural Services in the process of EU membership. Source: Dogru, adopted from Zaimoğlu (2006).

5.3.1 Competition:

Yücel (2006) identifies the changes ahead in the context of competition according to the size of the enterprises;

Large-scaled practices in Turkey although they are relatively smaller than their international counterparts, work on international projects in different scales, offer high quality design services, have knowledge and relations in the global market and already completed their organisation. Yücel (2006) claims that, this group is likely to get bigger as their relations with the rest of the world get stronger by a number of acquisitions and mergers.

There is a portion of small and middle-size enterprises that have a significant share in the local market. These firms also work internationally, usually by means of contractors, and have built a reputation in national market. According to Yücel (2006), these offices have a serious necessity to build-up their organisations by incorporating a change process that will affect the budget, cost, structural configuration, marketing of the firm, as well as personal and business relationships and the life style. He believes that, while some offices will conform to this arising situation, others are going to choose to downsize and marginalise their services.

However, the second group also needs to diversify in the market in order to stay competitive. He believes that, these middle-sized enterprises will be more adversely affected group by the increasing competition. Therefore, organising with a higher investment is crucial for this practices which has a high demand and supply size, capabilities and business standards but insufficient work processes, financial and skilled work force.

The 3rd. category is the small and medium practices representing nearly whole provinces and a large portion of the big cities, which generally get work through a local developer, which is the predominant type in the sector. In Yücel's (2006) point of view, within the similar rationales, an insignificant part of these are likely to go out of business while the others remain unchanged.

5.3.2 Quality:

Turkey joined customs Union in 1995, which abrogated the trade barriers among nations. Aktüre (2003) states that, at the outset, this was a challenge for the construction sector, nevertheless, it resulted with the renovation of industrial technology that supply building materials, and components to construction sector. Consequently, the aesthetics and technical quality of the products ameliorated, costs have decreased, the marketing techniques improved, which allows the internal market to be protected and international market share even increased to some extend.
As far as architects' concern, Aktüre (2003) points out that, professionals are required to improve their selves in the following issues to compete with their foreign colleagues:

- *Supremacy in new technologies:* Today construction industry has gained a new identity as an industrial activity. As in manufacturing, producers of materials and building components are striving to increase their market share by releasing new products. It is difficult to keep track of the changes in construction technology. However, failing to do so causes conscious choice of materials to be replaced by prevailing fashions.

- *Adaptation to new standards:* The drive for differentiation in industrialization process changed the standards significantly. Hence, as developed countries, Turkey should replace its product standards with 'performance standards'.

- *Adaptation to the increasing environmental awareness:* Sustainability is the most actual subject of today. This involves using renewable resources during the construction and post-occupancy of the buildings as well as the conservation of built environment and utilization of the existing buildings for modern requirements.

5.3.3 GATS Treaty

GATS covers the service sectors for communications, construction and engineering, distribution, environment, financial, health, tourism and travel, recreation, cultural, sporting, and transportation. Bozkurt (2005) informs that, with GATS treaty, a competitive market is targeted to be formed that leads to increase the quality. The objective is to create growth and jobs, on one hand, and to reinforce competition for the benefit of consumers, by increasing their range of choice, on the other hand.

However, Chamber of Architects in Turkey claims that Turkish practices will be forced to enter a competition with unequal conditions (Bozkurt, 2005). Hasol (2002) goes on arguing that, organisation is an important future of the globalisation and UIA is regarded as the umbrella institution in an organisational system while ACE embraces architects from EU. Nevertheless, it is problematic how architects belonging to nations outside these associations take an active part in an increasingly competitive environment. Interestingly, it is not only Chamber of Architects who are concerned about the outcomes of GATS agreement. ACE (2005) declared that;

> "*Despite the efforts already devoted to the issue, there is still inadequate recognition of the real features of the architectural profession, whose sector is considered by policy makers to be like any other service sector. In parallel it is often, wrongly, considered to be a part of the construction industry. Thus the services of architects are mostly, if not exclusively, treated according to mere economic and pure competition criteria, whereby insufficient regard is given by policy makers to the actual impact that architectural services have on the built environment and the wellbeing of citizens.*"

While, the discussions are still being held on the level of understanding and incorporation of the imported regulations, there is a unanimous concern about its inevitable consequences both to the character of the built environment and the profession.

CHAPTER 6
INTERVIEW ANALYSIS

6.1 Introduction:

The following chapter describes and compares the architecture practices interviewed in the context of this thesis. The firms were grouped in two sections according to the market they operate in. Section 6.2 reviews the factors that stimulate the strategic decisions of large size Turkish practices and their reactions while Section 6.3 looks into middle and large size UK practices. A discussion on the common and differing themes and trends between two markets will follow in Section 6.4.

6.2 Turkish Architectural Practices:

As it is stated in Chapter 2.3, the number of permanent employees and year of establishment is taken as a criterion in choosing the companies; however, tendency to employ temporary staff is regarded as a common practise in the profession.

Three out of four firms stated that they benefit from temporary staff to some extend. ERA employs professionals from local people in their projects outside Istanbul for the project period. However, the high turnover of employees is seen as a weakness. Therefore, all architects that are employed on the main office are permanent staff. Midek/Mingü employs 3-4 skilled people for a short-term period at a given time, which is equal to 10% of the work force, while this amount rises in Tabanlıoğlu, the number constantly changes depending on the work load.

Table 6.1 outlines the major aspects of each firm in terms of employees, projects, number of offices, development style, organisational structure, specialization and client profile, the partook practices are also briefly described in Appendix I.

Company			ERA	Tabanlıoğlu	UMO	Midek/Mingü
Respondent			Mr. Ertun Hızıroğlu	Mr. Murat Tabanlıoğlu	Mr. Levent Aksüt	Mr. Hasan Mingü
Foundation			1972	1956	1955	1982
Employees	1980		60+	4	20	4
	2006		120	65	35	40
	Temporary Staff		Few	Yes	Few	Few
	Professions	Architects	60-70%	100%	100% + Subsidiaries	90%
		Others	Civil and Structural Engineers Mechanical Engineers Electrical Engineers		1979 Uskon Space Frame Const. Co. 1993 Technic Const. & PM. 2001 Sigma Construction Auditing	Civil Engineers
Projects	Scale		Medium-Large	Medium-Large	Any	Small-Medium
	Number		5	15	5 to 10	15+
Offices	National		1	1	1	1
	International		3+2(in progress)	None	None	None
Legal Format	1980		Limited Liability	Limited Liability	Limited Liability	Limited Liability
	2006		Limited Liability	Limited Liability	Limited Liability	Limited Liability
Growth	Internal Development		Yes	Yes	Yes	Yes
	Acquisition &Merger		None	None	None	None
	Alliences		Joint ventures- None Teamed-up with other firms	Joint ventures- None Teamed-up with other firms	Joint ventures- None Teamed-up with other firms	Joint ventures- None
Organisational Structure	1980		Studio	Generalist	Generalist	Generalist
	2006		Studio	Departmental	Studio	Studio
Services Offered	1980		Architecture, Town Planning	Design	All	Interior
	2006		All	Design, Consultancy, PM.	Design, Consultancy, PM.	Architecture, Interior
Types of Projects	1980		Industrial	Media Centres, Cultural	All	Residential, Retail, Industrial
	2006		Retail - Industrial	Residential, Retail, Mixed Use	Residential, Retail, Healthcare	Retail, Industrial
Dominant Regions	National	1980	Major cities	Major cities	Major cities	Major cities
		2006	Major cities	Major cities	Major cities	Major cities
	International	1980	Eastern Europe		Western Europe	None
		2006	Eastern &Western Europe	North & Middle Asia	Central Asian Republics	Western Europe
Client	Type		Commercial	Private, Commercial	Commercial	Commercial
	Retained Clients		Return Business	Reputation	Few Retained Clients	Return Business

Table: 6.1: Comparative Analysis of large-size Turkish firms. Source: Dogru, 2006

6.2.1 Organisational Structure:

There has been a move towards studio structure from generalist in Turkish practices as they got bigger since 1980. The only firm that adopts a departmental structure is Tabanlıoğlu Architecture, which experienced significant improvements in work processes after the company acquired ISO quality assurance system in 1997. Nevertheless, there is no intention for further change since the company still has some problems about the new system to be fully incorporated by the employees. The divisions are formed according to functional responsibilities rather than client or building types in project teams.

In ERA, only multi-disciplinary Turkish practice interviewed, people from different professions work in sub-groups from the early stages of the project rather than passing it from one division to another. Hızıroğlu asserts that well-defined borders, which cause informational losses, are strongly avoided. Nevertheless, he recognizes the fact that as the company grows in size, it would be inevitable to structure functional and operational groups in the future.

The organisational structure of the UMO is based on studio system, where staff is divided into groups according to their capabilities and project requirements. However, there is a transitional approach between these groups, where sources and skills are not clearly separated. UMO developed subsidiary companies to avoid a cumbersome structure that fails to react promptly to market needs and trends.

All the large-size practices except UMO had intended to acquire ISO assurance from 1995 to 2002, which caused changes in the structural configuration of the practices. It is stated that, this was a strategic decision for ERA and Tabanlıoğlu to be more effective in the international markets. Nevertheless, it is not seen favourable for design firms due to the excessive paperwork and bureaucracy it causes. Hence, Midek/Mingü abandoned getting ISO 9001 and ERA is planning to do so in the coming years.

6.2.2 SWOT Analysis

Experience is seen as the major strength of the large-size practices, all of which mentioned this point during the interviews. UMO and Tabanlıoğlu has been in the sector since 1955 and endured economical crises, social changes, and military coups in an ever-changing nature of the construction industry since then. UMO and Midek/Mingü state the innovation as an important quality. Midek had the pioneering role in using many materials for the first time, such as thick glass, halogen lamps while UMO introduced space frames in 1977 to Turkey. Tabanlıoğlu points out that there is a very high turnover of staff due to the large number of transfers between companies. This causes any training and organisational learning endeavours to be idle and costly, hence makes it difficult to sustain the quality and the work structure that is strived to be incorporated.

According to Aksüt, the major opportunity is that, Turkish contractors have increased their market shares internationally since 1980's. Architects are usually appointed by these contractors who introduce them to new clients through which they make inroads into a new market. Both Mingü and Aksüt asserts that, new and not qualified entrants to the sector harms the profession and decrease the competitiveness of the practices and provide a threat to the reliability of the service given by architects. Table 6.2 demonstrates the SWOT analysis of the large size practices according to the respondents' points of view.

STRENGTHS		WEAKNESSES	
Fast decision making Foreign client porfolio Return Business Retained Staff 1	Experience Professionalism Innovation 3	Defects caused by intensive schedule 1	Price competition with non qualified entrants 3
Quality Reputation ISO quality assurance 2	Quality Innovation Return Business 4	Difficulties in retaining permanent staff 2	Economic Vulnerability Being localized 4
OPPORTUNITIES		**THREATS**	
International Experience International Offices New Generation Architects 1	Turkish contractors' increasing international activity 3	Excessive Growth that can result with organisational problems 1	Foreign Admiration in the society and clients Decreased Government Investments 3
Experience in foreign alliances Stronger private sector 2	Increasing cultural level in society Awareness for value added by interior design 4	Economic Fluctiations Government Bureaucracy and inefficiencies 2	Non-qualified entrants Government Inefficiencies Procurement Law 4
1) ECA	*2) TABANLIOĞLU*	*3) UMO*	*4) MİDEK/MİNGÜ*

Table 6.2: SWOT analysis for Large-size Turkish practices. Source: Dogru, 2006

6.2.3 Specialization:

Although all the companies work on wide range building types, there are clear areas of specialization in 3 of the 4 Turkish practices. ERA has the biggest share in industrial buildings while they prefer to stay away from fashionable tourism and cultural buildings. Tabanlıoğlu targets the market for large prestigious projects and Midek/Mingü renders services of retail and commercial interior design.

All the companies interviewed offer design and consultancy except UMO, which vertically disintegrated all the activities and focused on design services as their core competency. The firm founded USKON in 1979, which provided them to enter the building materials manufacturing, sale and application market. UMO also horizontally disintegrated their consultancy, construction and project management services by establishing Technique Construction & Project Management in 1993 and Sigma Construction Auditing in 2001. This allowed the firm to scope the whole construction process from inception through completion. ERA also offers turnkey project to its clients, nevertheless, unlike UMO, the company incorporates different professions within one organisation.

Although 3 out of the 4 interviewed firms state that, they have international activities, only ERA has offices abroad. More often than not, the architectural services are provided back in Turkey, rather than working with local offices in joint ventures. Due to the economic and social discrepancies between the major cities, eastern and western regions of Turkey, all the architects stated that big or newly industrializing cities are the dominant regions of activities nationally where their services are demanded more.

The increasing capital acquisition of private sector in the last 15 years changed the dominant client profile significantly. Today, none of the large size practices is working for public clients. During 1980's public sector had an important role as a client for Tabanlıoğlu and UMO, whereas ERA and Midek/Mingü states that they do not take place in public projects as a policy. According to Tabanlıoğlu, although competition is the most common way that large scale urbanization projects or prestige buildings are awarded, public sector as a client is highly unfavourable due to the arising conflicts and insufficient funds of the municipalities. Therefore, a strong private sector is perceived to be crucial for strong architecture firms.

Mingü adds that, public sector with its outdated procurement law and cumbersome structure, is preventing the sector to improve rather than promoting it.

Retained customers have played an important role in the growth of ERA and Midek/Mingü. Approximately % 90 of the clients of ERA are foreign companies that enter the Turkish market in the late 80`s, in response to the liberalization period that the country experienced. This allowed them to overcome economical crisis, which affected construction sector significantly. Hızıroğlu explains that they opened their foreign offices owing to the long term relationships they established with their clients through time. Once ERA started operating in Eastern Europe, their clients demanded them to open a branch in these countries and this way, the firm had already secured some job in a new, unfamiliar market. Mingü also considers return business to be crucial for the company that worked in many prestigious retail chains and banking branch interiors since 80`s. Nevertheless, Aksüt believes that return business is difficult to be obtained because of the tendency to benefit from price competition and award the projects to acquaintances.

6.2.4 Internationalization

Despite the common support among architects for EU membership, the owners of the large size practices are sceptical about the outcomes. Hızıroğlu supports a conditional membership considering Turkey's different dynamics and sanctions the country will face. What's more, he believes that Chamber of Architects and the government fail to take the necessary precautions to protect the profession and the procurement law in force is insufficient on this aspect. Moreover, Aksüt adds that, there is an extreme admiration for foreigners in Turkey. An example for this is the ongoing high rise multi-purpose project in Maslak (İstanbul) which is called Mashattan.

Tabanlıoğlu is also concerned about increasing foreign invasion in the profession. He states that, internationally esteemed group of star architects, who are capable of changing the characteristics of a city by adding value by design, do not have any built project in Turkey. Rather, the important projects are usually awarded to second class foreign firms, who advertise their services successfully and benefit from foreign admiration in Turkish clients.

On the other hand, the quality is expected to get better by all the respondents due to the increasing competition, foreign investments and opportunities for foreign partnerships. Nevertheless, Aksüt believes that although there will be more opportunities for partnerships in the beginning, after foreign firms learn the Turkish market, they will not need this. However, the interviewees points out the advantages of large size Turkish firms in international markets because of the cheaper cost of production and services. In national market Turkish architects are also seen to be superior, due to their experience and market knowledge.

In conclusion, globalisation process, which has been influential in the profession since 1990's, provides an important setback for national practices to develop their organisations and gain experience in complex projects. Therefore, Turkish architects who are deprived of sufficient organisational capabilities and legal arrangements to protect their services, is expected to be even more vulnerable to the competition from foreign companies if Turkey becomes a part of EU. However, it is a common view that large size Turkish firms have the necessary resources and capabilities to meet quality requirements, frequently cheaper than their European counterparts.

6.3 UK Architectural Practices

Compared to Turkish market, the number and the scale of middle and large size companies are a lot higher in UK. Therefore, the interviews that take place in this chapter does not represent the general characteristics of the similar-sized practices that operate in this sector; it can rather be regarded as case studies that provide an understanding on the issues related with the profession such as development model, integration, specialisation, national and international activities. The brief descriptions of the participating firms can be seen in Appendix II. Furthermore, a comparative analysis of the UK practices is illustrated in Table 6.2.

Company			BDP	RMJM	ECA	REID Architecture
Respondent			Mr. Richard Sexon	Mr. Mark Way	Mr. Robin Nicholson	Mr. Paul Warner
Foundation			1961	1956	1985	1979
Employees	1970		500+	150+	8	8
	2006		1000+	700+	40+	200
	Temporary Staff		Yes	Yes	Yes	Yes
	Professions	Architects	40%	50-60%	100%	95%
		Others	Civil and Structural Engineers Building Service Engineers Landscape and Interior Archs. Town Planning	Civil and Structural Engineers Building Service Engineers Landscape and Interior Archs. Town Planning		Town Planning, Graphic Design
Projects	Scale		Medium-Large	Medium-Large	Medium-Large	Medium-Large
	Number		15+ (20-40)	15+ (20-30)	5	20
Offices	National		10	4	1	3
	International		2	6+1(Moscow)	None	2
Legal Format	1970		Partnership	Partnership	Partnership	Limited Liability
	2006		Shareholder	Shareholder	Limited Liability	Limited Liability
Growth	Internal Development		Prefers to build up gradually			
	Acquisition &Merger		Structural engineering Firm-1970 Bristol Architectural Firm- 2002	An MNE Practice Financial Partner-2002	None	Harris Architecture, Architecture Firm, Australia Architectural Firm, Madrid
	Alliences		Joint ventures- Rare Teamed-up with other firms	Joint ventures- None Teamed-up with other firms	Joint ventures- Singapore & Jordan Teamed-up with other firms	Joint ventures- None Teamed-up with other firms
Organisational Structure	1970		Departmental	Generalist - Studio	Generalist	Generalist
	2006		Matrix	Studio - Departmental	Studio	Departmental
Services Offered	1970		Design, Engineering, Restoration	Design, Consultancy, Engineering, Restoration	Design	Design, Consultancy
	2006		Design, Engineering, Restoration	Design, Consultancy, Engineering, Restoration	Design	Design, Consultancy
Types of Projects	1970		No specialization	No specialization	Residences	No specialization
	2006		No specialization, emphasis on; retail, education, health	All except Industrial - Healthcare	Residence, Master planning, Schools	Airport, Mixed Use
Dominant Regions	National	1970	North-West	All	Central	All except Wales
		2006	London, North-West,	North, Central, Scotland	West Midlands	All except Wales
	International	1970	Ireland, Middle East	Middle East, Africa, Far East	None	None
		2006	Ireland, Europe, Middle East	North and Middle Asia, Middle East, Far East	Middle East, Far East	Western Europe, Australia
Client	Type		Commercial, Public,	Individual, Commercial, User clients	Commercial, Public	Commercial

Table 6.3: Comparative analysis of middle and large size UK firms. Source: Dogru, 2006

6.3.1 Organisational Structure:

Building Design Partnership (BDP) is the only company that adopts a matrix structure from the four UK practices interviewed. BDP was organized as an equity partnership which is the classic form of a professional firm. This changed in 1997 and BDP turned into a private limited liability company. In 2002, legal structure further changed to a share based ownership. Company shares are completely private, i.e., it is only open to the staff and the partners.

The directors who own the majority of the shares form the board. This group includes the executive board, the heads of the each of the regions, which are the South of England, North of England, Scotland and Ireland, representative of the professions, the chief executive and the chairman. Figure 6.1 represents the organisational structure of BDP. The chief executive is responsible from each of 4 regional offices. While profession heads look after their staff, sector leaders are responsible for the marketing and organizing the body of work. Behind each of them there is central staff that supports all of these activities such as finance and the IT and marketing.

Within each regional office there is also some structure: There are about 150 architects in London office, and they work on quite different range of projects. Due to its size, this office is grouped into 4 sub-divisions, each of which concentrates on a particular sector according to the types of clients. These groups are retail, regeneration, education and work place. There are also team leaders within those groups. However, other offices don't seem to have the need for that. Bristol office and Southampton office is responsible for the executive of the south group of BDP, as well as the 4 studios in London office.

REID Architecture has a departmental structure. The divisions are designated according to each category of work that the company works on, such as; residential, offices, retail, warehousing, etc. There is a board of directors in each office. Associates form the middle management reports to this board, while they are responsible to manage other staff. There are office coaches that specialize on one type of building in every office; however a particular person, who would be looking after several project types at a time, runs the jobs. There are also process-based divisions for technology, research and development and conceptual design.

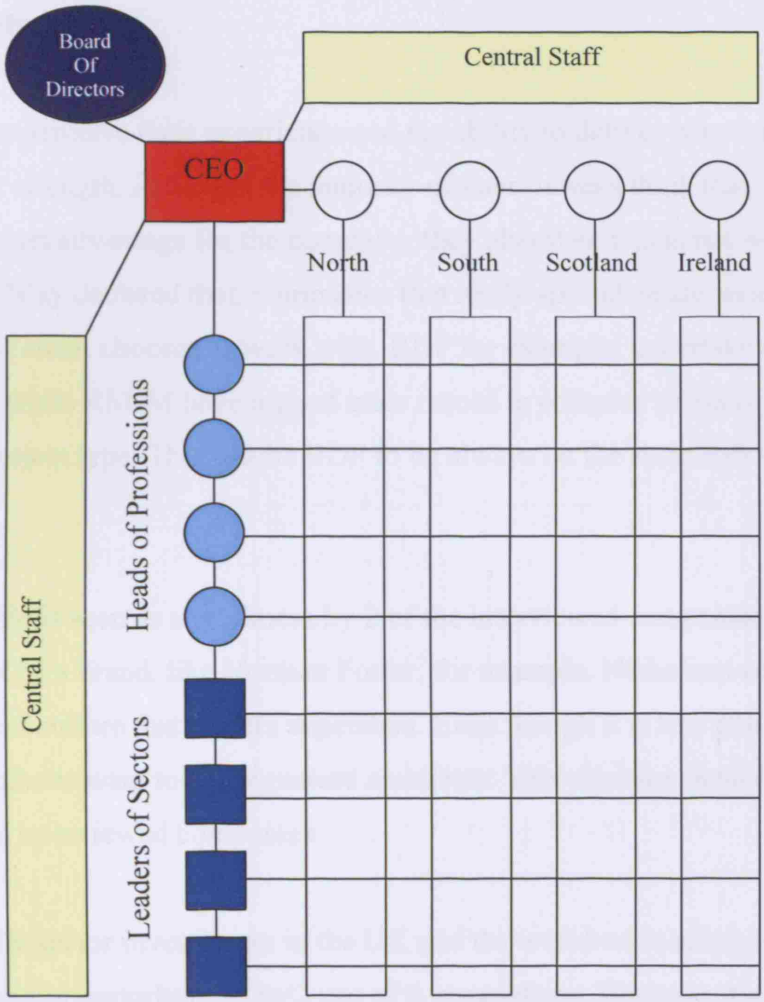

Figure 6.1: Organisational structure of Building Design Partnership

Both RMJM and ECA are established as a partnership and turned to a limited liability company as a result of getting bigger. Furthermore, the firms shifted from a generalist approach to studio organisation due to their increasing number. There are 8 management teams to cover design quality, communications, finance, property, marketing and staff welfare in ECA. Similarly in RMJM, there are functional groups formed such as engineering, structural design, building services group, QA, finance, group and architecture groups. Nevertheless, these groups are not exclusive and the companies do not have divisions according to the types of projects or procurement routes.

6.3.2 SWOT Analysis

All the UK practices perceive their experience and the ability to deliver what has been agreed upon, as their major strength. Although the majority of interviewees think that covering wide range of buildings is an advantage for the company, they also state this is not without its negative outcomes. Way declared that, companies that really specialize are usually the ones that a certain type of client chooses to work with. BDP for example, undertake a high percentage of retail while RMJM have a good trace record in complex projects, but not known for any particular project type. This results BDP to be always on the short lists when it comes to retail work.

Not being fashionable is seen as a weakness by 2 of the interviewed companies. According to Saxon, BDP can not be a brand, like Norman Foster, for example. Nicholson adds that, there is an increasing client culture that prefers superstars. Even though it is less practical and expensive, a lot of clients want to use signature architects. This situation is pushing back the market shares of the interviewed companies.

The increasing public sector investments in the UK and the world-wide urban regeneration agenda are seen as major opportunities by 2 out of 4 respondents. However, there is also a downside of these big investments. Way points out that, if the company chooses to gear-up for big projects, there is a danger that the government suddenly decide to cut-back.

Nicholson cites the convention in architecture to set up your own business as the most important threat for the future. He states that, ECA is growing in order to keep its talented young staff who are around their 30's. According to Paul Warner, the biggest threat is the growth of project management. He declares that, architects increasingly get the work through project managers rather than directly clients. This generates a threat not only to the profession, but also to the fee structure. Table 6.4 illustrates the SWOT analysis of the middle large size practices interviewed according to the respondents' points of view.

STRENGTHS		WEAKNESSES	
Expertise on client sectors Scale Effective Delivery 1	Professionalism Being well structured 3	Not being fashionable as a brand name Difficulties to provide consistent design quality 1	Chaos of mismanagement 3
Track Record in covering wide range of buildings 2	Quality of the staff Environmental understanding Construction Innovation 4	Not being specialized 2	Expensive Not being specialized Being seen as prima donna 4
OPPORTUNITIES		**THREATS**	
Clients that prefer larger firms CAD Systems 1	Value Added by Architecture 3	Clients that prefer signature architects 1	The growth of PM 3
Economic Stability Government spending on big 2	Climate Change Public Sectorr Investments Urban Regeneration and Mixed Use Agenda 4	Dependency on foreign workfor Possible government decision to cut-back spendings 2	Clients that prefer superstars Tendency to stay family size Difficulties in keeping younger staff 4
1) BDP	*2) RMJM*	*3) REID*	*4) ECA*

Table 6.4: SWOT analysis for UK practices. Source: Dogru, 2006

Large companies do not see off-shore works as a threat. This is mostly due to considerable limitations that prevent outsourcing not to work in architecture. The services of architects are believed to be hard to delegate. Moreover, clients often look for people they know. Hence, they prefer local professionals from the same culture who knows the climate, regulations, etc. Therefore outsourcing is not favourable despite its cost advantages. Mark Way asserts that, when the work is off-shored to a country which can be done for the quarter of the price, the amount of managerial time has to be increased. This usually results with one skill to be replaced with another.

6.3.3 Integration:

It is a common practice among the UK companies interviewed to grow by acquisitions, mergers and strategic alliances. The two relatively bigger firms, which are BDP and RMJM, developed both vertically and horizontally in the past; BDP took in a structural engineering firm in 1970 and a Bristol architectural firm in 2002 while RMJM acquired an MNE practice and a financial partner in 2002.

REID Architecture merged with a small practice in Spain in 1990. This introduced them to the local market while REID provided bigger clients to the practice in return. Another merger that the company took a part was with Harris Partnership, which presented REID to the Middle East market. The company also has a joint venture with a practice in Australia. This allows REID to exploit the local knowledge of the firm while the other party benefit from their

expertise on airport projects. ECA had been in joint ventures with a Singapore and Jordan practice where they got projects through competitions.

RMJM, which offers design, engineering and consultancy to its clients, has the widest portfolio range in terms of types of services given. BDP covers design and engineering while REID Architecture delivers design and consultancy services. Although the company used to give project management services for a period of time, they disintegrated from this field. ECA is the only practice that solely specializes on design services.

All the practices except BDP stated that they do not work on healthcare buildings. BDP has a significant market share in retail, education and healthcare projects. Mark Way stated that the RMJM works on every building type rather than industrial and healthcare. Urban regeneration occupies around 60% of ECA's workload whereas airport design and mixed use scheme which is derived from development policy to provide affordable housing is the major sections of REID.

The UK firms do not target national markets geographically. Way asserts that RMJM targets clients in stead of geographic regions. Furthermore, the practices work in the market that the client targets. BDP works with national clients who develop all over the country in stead of local clients and the clients go to the office where the relationship is, in stead of the project location.

REID Architecture works for commercial clients. According to Warner, public sector is not a desirable as client type due to the cumbersome administration structure. During the crash in the building industry around 90's, the London office of REID Architecture went down to 25 staff from 120. Due to the increasing interest rates, all the commercial clients stopped. Therefore, the company decided to enter international market and worked for Japanese and Chinese clients who invest in UK. The rest of the interviewees declared that, they work for public sector as well as commercial clients, to some extend.

Way emphasises that, RMJM has always been a multi-skilled and multi-national company. This enabled the firm to decrease the risk by working in different economies where there are various cycles of growth. In 1970's their international projects were done back in UK. Later on, the firm started local offices in many different countries which was cheaper, better and

more efficient. These offices were run buy British expatriates. Today, there is an increasing tendency to use local people. The company adopted this approach to enable the reliability because, a foreign company is usually perceived to be temporary by foreign clients.

6.4.3 Internationalization:

All the respondents concurred that, EU has affected the market relatively little, as far as UK architects' concern. European market is seen to be very localized by UK practices. Warner states that although EU provided a ground for REID Architecture to enter Spain market, trying to get work in the rest of the Europe is still considered to be a waste of time. He explains that, in the first 10 years, Madrid office could never get work outside Madrid and the firm started to work in Barcelona quite recently.

According to Saxon, EU countries work very hard to make sure the foreign firms can not succeed. In 1990, BDP decided to treat Europe as the home market and looked for partners in Germany, France and Spain. By 1992, they found partners in these countries. Among these 3 attempts, only the French partnership survived because there was not enough work in Germany and neither the Spanish nor the German partners were a good fit. French firm has worked out well. Nevertheless, BDP own only 24% of it, which is the maximum anybody who is not French is allowed to own in spite of the EU rules.

On the other hand, Nicholson believes that Britain is also very insular to external effects. Although there are American firms, and big names from Europe in UK market, there are not many European practices. He points out the cultural barriers as a reason for this situation. Furthermore, there are also some difficulties in British market for a non-British firm although these are not designed as barriers. Saxon declares that, to insure as an architect in UK, the company have to be in continuous business due to the payments to be made each year. If the firm is just coming for one job, they have to end up paying more than it is earned. To avoid this, they must have a British partner to pay the insurance and take the risk. This allows British firms to have control over foreign architects in national market.

Another point is that, the commercial American practices are perceived to be a bigger threat in UK rather than EU architects, which is a favourable market due to its language advantages and access to Europe. American architects are being effective

in UK market for 12 years. The reason for this situation is many significant projects being financed in America. Hence, the investors usually choose to work with their own architects they are familiar with, rather than getting a design service from a local practice.

6.4 Discussion:

6.4.1 Organisational Structure:

The interviews revealed that, large size practices in Turkey are organized as limited liability companies which consist of one or two man partners/directors and usually have no life beyond the working life of the partners involved. This constitutes a setback for Turkish firms to adopt a corporate structure. Although, the classic form of a professional firm in UK is an equity partnership, as the firms grow, it is usually turned into a limited liability and share-based equity partnership. Hızıroğlu explains this contrast as a result of the common attitude of his generation, which stems from social restrictions and military coups and characterized by endeavours to preserve the acquired rights and not to be willing to share it. He adds that, having a corporate structure means to be able to transfer these rights and it will be the next generation Turkish architects who are growing up in a liberal economy will be capable of building this culture.

6.4.2 SWOT Analysis:

Although SWOT analysis gives a view of both internal and external constraints and provides some indication of the level of risk and the strategic problems that are faced (Richarson, 1996), it should be noted that, these analysis are subjective and bound to the interviewees' perceptions.

Experience, expertise, quality, professionalism and innovation are the most frequent concepts that are perceived to be the prevailing character of large size practices, cited by 6 out of 8 interviewees. Since one of the selection criterions was the age of the company, it is plausible to think firms that have been in business for long years enjoy these strengths. Difficulties in keeping the staff are a shared weakness that a UK and a Turkish firm cited. Both of the interviewees stated that this results from the common culture among architects to set their

own businesses. While 2 British firms identified not being fashionable as a weakness, large practices in Turkey do not seem to experience this problem due to relatively limited rivalry in the market.

Additionally, government investments and urban regeneration are considered as an opportunity among UK firms; however, all the Turkish practices cited that government and legislation provide a major setback against improvement. Another point is that, international activities considered being an important strategic advantage for Turkish firms, whereas UK companies, though 3 out of 4 have offices abroad, has not mentioned this point during the interviews.

6.4.3 Integration:

Firstly, Turkish practices has hitherto developed internally, whereas large UK firms had integrated both vertically and horizontally by acquisitions and mergers in order to gear-up to new geographic or service markets by exploiting the core competencies of other firms or developing into areas that are complementary to the firms' existing activities. Saxon believes that building-up gradually and to open new offices or enter new markets with your own people is more successful. Therefore BDP is not planning to grow further by mergers in the near future.

Nevertheless, the dynamics of an emerging economy appears to be different than the environment a UK firm operates in. Marulyalı, the director/partner of UMO Architecture mentions Dar Al-Handasah as an example, which has been established in Beirut by two engineers in 1955, the same year UMO has been founded. The firm has grown past 4000 staff today, with UK and American partnerships and opened offices worldwide while UMO could only show a very small development in 50 years. He advocates that, economic inconsistencies, slow pace of development and not being able to accumulate the capital needed for construction investments pulled UMO down.

Secondly, UK practices prefer either to get into joint ventures with local firms or to conduct the work from their local office in the area. On the contrary, the international projects of Turkish practices are usually done back in Turkey. One of the reasons for this is the Turkey's

close geographical location to the markets that the companies dominantly operate in, while UK practices frequently attempt to get a share in overseas markets.

Thirdly, the national activity area of Turkish firms are generally bounded by major and newly industrializing cities, while UK companies cover whole country as a national market. Nevertheless, this difference stems from the significant income disparities between the three biggest cities in Turkey and the rest of the regions rather than insufficient organisational capabilities.

Another point is that, Turkish firms offer a wider range of services than their British counterparts. There are two practices offering turnkey services since 90's while there is only one company, which do not provide project management. Nonetheless, the firms interviewed in UK do not render this service. This is because, project management which started to be adopted by manufacturing sector in Turkey after 80's due to the liberalisation, increasing technology and being exposed to globalisation, is still a relatively new subject in construction compared to UK and there is an increasing demand for project management services in the sector.

On the other hand, there is a clearer distinction between the specialisations of companies in terms of project types in Turkey where only one of the interviewees stated that the company works on every project type. None of the Turkish firms work with public sector due to the cumbersome structure and outdated procurement law. This situation causes the practices to be dependant on commercial investments to a great extend while only one UK firm stated that government is not desirable as a client.

6.4.4 Internationalization:

The way Turkish practices undertake international projects usually happens through Turkish contractors that work in Russia, Central European Republics, Middle East and Eastern Europe, while three of the UK companies stated design competitions as the most important means of entering to a new international market. Way asserts that when a project is secured in a foreign country by a competition, RMJM has the opportunity to make local investigations and analysis during the project duration. Later on, the local economic structure drives the decision to register a new office in that country. Nicholson adds that, although ECA does not

particularly look for new international markets, they get the work through their bids in competitions.

Lastly, Turkish firms which are not protected adequately by Chamber of Architects and legal arrangements and failed to build up their organisations due to the heretofore stated reasons, see western architects as a threat for the profession although it is believed that EU membership will create some opportunities due to the alliances with European companies and increasing foreign investments, especially in the initial stage. Nevertheless, large Turkish practices who are already competitive in international markets and have experience with foreign clients, perceived to have advantages over European firms. On the other hand, UK firms stated their practices has not been effected much in terms of competition and international opportunities since the Maastricht treaty was signed in 1992, due to the cultural barriers and localized market conditions.

CHAPTER 7
CONCLUSION

7.1 Conclusion

The findings suggested that, the size and the level of complexity are significant determinants of organisational structure and ownership of the architectural practices. However, it is also influenced by the predominant culture, attitudes and vision of those who have a stake in decision-making positions. While, UK firms evolved from a partnership to a share based ownership as they grew, the owners of Turkish practices seem to be unwilling to hand over the authority and responsibility.

This study has also demonstrated that, government as a client and a policy maker still plays an important role in the development of architectural practices. Urban regeneration projects and government investments on prestigious buildings are an opportunity for the firms to build their reputation further by adding value to the design and society and secure work through different client profiles. However, due to the outdated procurement law, insufficient funds of the municipalities and long bureaucratic structure, Turkish practices are bound to the imminently increasing capitalisation and improving social level of private sector clients in the national market.

What is more, Turkish practices are also restricted in the international market due to the lack of governmental and financial support. Literature review and interviews highlighted that, the most common way of working in an international market is by contractors' means. This is partly because architectural practices has always been deprived of necessary funding systems and credits in the past which can facilitate to improve their organisation and technology and consequently increase their competitiveness in the international market (Yücel, 2006), and partly due to the deficiency of architectural education and architects that fail to get a grip of architects' role as a business (Hızıoğlu, 2006).

Along with the financial and cultural aspects, the relatively small scale of Turkish practices according to their UK counterparts is a result of the organisations' development method. Although internal development is desirable for previously stated reasons, it's proved to be a challenge for Turkish practices to enter new markets due to the economic inconsistencies, slow pace of development and inadequate capitalisation. Hence, findings imply that the ability to identify appropriate partner and agreeing appropriate contractual terms will be a strong

source of strategic advantage for large size Turkish practices in the future. This also involves a significant change in the decision makers' visions and organisational culture for heretofore cited reasons. The conditions are ripening to make this possible as the country gears-up for EU membership. On the other hand, despite its risks, operating in Turkey promises significant rewards. Benefiting from the name and organisational capabilities of an international firm allows the practices to enjoy cost advantages, exploit the opportunities of globalisation and build the necessary infrastructure (Sancar, 2006). What is more, unlike UK market, in Turkey, large size practices that are capable of developing into various service areas enjoy from relatively modest competition, where they do not face a severe rivalry.

On the contrary to the common view among architects, owners of the large size practices are dubious about the EU membership. While, UK interviewees are unanimous that due to the restrictions created by the cultural and legislative barriers, localized European market is far from being united for design services, doubling by the effects of globalisation, the lack of necessary legislation for local architects raise concerns over the future of the profession in Turkey.

7.2 Future Recommendations:

This research put forward a framework for large size Turkish practices to explore the opportunities and possibilities by taking a long term view. However, it should be bear in mind that any endeavour of strategic development is incremental and this will continue to be changed throughout the life time of the organisation and be adapted to suit changing design objectives (Richardson, 1996). Future research could therefore, explore the analysis from various stakeholders' point of view within the organisation, such as senior management, department heads and architects by elaborating on more than a single scenario.

What is more, other actors such as financiers: private and public banks, mortgage banks, insurance industry, pension and investment funds and cities and public authorities can not be excluded in this process, if one aims to gain a plausible view of how the business environment of an organisation might develop in the future in a market characterized by high level of uncertainty.

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APPENDICES

Appendix I: Brief Descriptions of Turkish Practices

ERA Planning Architecture Consulting Co. Ltd. has been founded in 1972, Istanbul by Prof. Dr. Ertun Hızıroğlu and Batır Baygil. The practice has since grown from 2 to 120 people, has added offices in Sofia (1990), Paris (2000), Bucharest (2001), Athens (2002 / on hold), Moscow (2003 / in progress) and continues practices in many different countries.

Tabanlıoğlu Architecture & Consulting Co. Ltd. has been founded in 1956 by Dr. Hayati Tabanlıoğlu. Until 1998 the firm consisted of a small group of 4 architects owned and directed by Dr. Hayati Tabanlıoğlu. His son Murat Tabanlıoğlu joined the practice in the early 1990's. The company has undergone major changes after 1998, starting with the possession of ISO 9001 quality standard with the aim of incorporating an organizational culture and showing a rapid growth from 4 to 60 permanent staff in less than 10 years, 12 of which are on administrative levels.

UMO has been established by Levent Aksüt and Yaşar Marulyalı in 1955. The firm increased its activity areas by founding Uskon Space Frame Construction Co. in 1979, Technique Construction & Project Management in 1993 and Sigma Construction Auditing in 2001, employing around 40 people.

Midek / Mingü Architects Co. has been founded by Hasan Mingü in 1982. The firm is specialized on commercial and residential interior design. The staff number decreased from 90 to 40 after the economical crisis in 2001 that affected the banking sector at its worst, causing significant loss in the firms clients such as Etibank and Interbank.

Appendix II: Brief Descriptions of UK Practices

Edward Cullinan Architects (ECA) has been established in 1965 as a small practice employing less than 8 staff and grew up to 40 people since then, all of whom are architects. The company deliberately preferred to remain small rather than growing to a big organisation. In the initial stages, they designed houses and then housing schemes. In 1988, they predominantly worked on office buildings. The economic crash in 1993 affected the company severely resulting them to halve their size. University buildings formed half of their work until 2000. Nevertheless, this type is very competitive today. Hence, the company focuses more on school projects.

REID Architecture started in 1979 as a London based practice. Today the firm employs around 200 staff in their 4 offices in London (1979), Glasgow (1984), Birmingham (1986), Madrid (1990) and Australia (1995). Although the vast majority of staff are architects, there are also urban and graphic designers in the team. The firm has been a relatively commercial practice and it changed in the last 10 years, and types of clients diverged as REID Architecture got bigger.

BDP was founded in 1961 as a partnership. The company employs more than 1000 people in their 10 national, and 2 international offices. The number of projects delivered last year is 20 to 40 and the firm gives design and engineering services in various types of buildings.

RMJM is established in 1956, employing more than 700 staff from different professions. Compared to BDP, RMJM adopted a more international policy, operating in diverse markets, from its 4 national and 7 international offices. Table 6.5.1 provides a comparative analysis for major indicators of two large UK firms.

Appendix III: Semi-Structured Interview Questions

FIRM DESCRIPTION: .....

RESPONDENT:.....

QUESTIONS:

A. FIRM SIZE-

Q1. Foundation year .....

Q2. Number of permanent staff;

1980-

☐ 1-20 ☐ 20-30 ☐ 30-40 ☐ 40+

2006-

☐ 1-20 ☐ 20-30 ☐ 30-40 ☐ 40+

2015-

☐ 1-20 ☐ 20-30 ☐ 30-40 ☐ 40+

Q3. What's the scale of projects that you work on?

☐ Small ☐ Medium ☐ Large ☐ Any

Q4. Number of projects you have delivered last year?

☐ 1-5 ☐ 5-10 ☐ 10-15 ☐ 15+

Q5. Critically evaluate the change in the characteristics of work, scale and demand according to Q3 and Q4.

B. ORGANIZATIONAL STRUCTURE-

Q6. a) Have you been in any partnerships, joint ventures, acquisitions or mergers since the firm has founded?

b) On which phase of the project did you take place in a strategic partnership?

c) Do you plan to grow by merger with a foreign or local enterprise in the future?

Q7. What kind of organizational changes did you implement since 1980; which circumstances lead to these changes? How would you describe the current organizational structure? What kind of improvements can be realised in the future?

Types of organisations in Architecture Firms:

-Generalist: *An executive manages 4 to 8 staff while 2 or 3 partners can supervise 10-20 employees. Responsibility is usually on a single person.*
-Studio: *Each person in charge manages a group in a generalist approach. There is no clear separation between groups.*
-Departmental: *Technical staff is diversed into groups according to their experience. This type is commonly used by growing firms.*
-Matrix: *Both the project directors and department heads report to senior management and functional responsibilities are divided into these two groups.*

1980-

☐ Generalist ☐ Studio ☐ Departmental ☐ Matrix

2006-

☐ Generalist ☐ Studio ☐ Departmental ☐ Matrix

2015-

☐ Generalist ☐ Studio ☐ Departmental ☐ Matrix

Q8. Do you have a permanent project organization for the services that you outsource. (engineering, consultancy and project management, vb.)? Describe the relationship between these parties and the architect.

C. ACTIVITY PORTFOLIO-

Q9. Types of services given; *(A-architecture, U-urban design, I-interior)*

	Design			Consultancy	Project Management	Construction	Engineering	Restoration	Other
	A	U	İ						
1980-									
2006-									
2015-									

Q10. a) Are there any particular type of building that you speacialize on?
or b) Which building types are demanded by clients the most?

	Residence	Office-Shopping	Tourism Buildings	Industrial Buildings	Cultural Buildings	Health-care	Other
1980-							
2006-							
2015-							

Q11. a) Dominant regions of activity nationally? Targeted markets?

	Local						
	Marmara	Black Sea	Middle Anatolia	Aegean	Mediterane an	South E. Anatolia	East Anatolia
1980-							
2006-							
2015-							

b) Dominant regions of activity internationally? Targeted Markets?

	International						
	Middle-East	North& Middle Asia	Eastern Europe	Cyprus	Western Europe	Africa	Far East
1980-							
2006-							
2015-							

Q12. Dominant client profile? Percentage of return business, targeted return business?

☐ Individual entrepreneurs ☐ Commercial ☐ Public Sector ☐ Municipalities

☐ NPO's ☐ Other

D. STRATEGİC FORESIGHTS:

Q13. SWOT analysis – what are the strengths-weaknesses of your firm in terms of competitiveness? What are the opportunities and threats that will affect strategic decisions for the next 10 years?

Q14. Describe the work policy between 1980-2005 and 2005-2015.
(To work locally-internationally, growth-downsizing, specialize-broaden delivered services, etc.)

E. MARKET CONDITIONS-

Q15. In the context of GATS and EU membership process, how would you evaluate the changes ahead, in terms of;

a) Competition
b) Foreign partnerships
c) Quality
d) Tendering and documentation

Q16. How did the client profile have changed in the last 25 years? What are the reasons lying beneath the significant projects in Turkey, such as university complexes and residences, to be awarded to foreigner architects? How the role of public sector has changed as a client?

Q17. What are the obstacles for local Turkish firms to build a corporate structure?

Q18. Do you think copyrights are applied effectively in Turkey? Does it harm you practice?

Appendix IV: Types of Legal format for Architectural Practices

Sole trader: The Sole Trader which is the simplest form of business owns and runs the business with complete control. The Sole Trader has fewer legal formalities and obligations than in other types of businesses. Start up and running costs are relatively lower.

Ordinary Partnership: An Ordinary Partnership is very similar to the Sole Trader except in a partnership, two or more self-employed people share in the decision-making, risks, costs and obligations of the business. Partners are advised to draw up a written agreement between themselves.

Limited Partnership: It is a type of company established to carry out a business under a trade name. Whereas the liability of some shareholders is limited to the capital subscribed by him or her, there is no limitation of liability for some shareholders. The liability of legal entities will be in proportion to their shares.

Unlimited Liability Company: It is similar to a Limited Partnership, except only real persons can be shareholders. The liability of the shareholders is limited to the capital subscribed and paid by the shareholder. Like a Limited Partnership, a Collective Company is set up to carry out a business under a trade name.

Joint stock Company: It is a limited company that can issue stock certificates, and set up with at least 5 shareholders, real persons or legal entities. The company's stock capital is divided into shares, and the liability of the shareholders is limited with the share capital.

Limited liability Company: A Limited Company is set up with at least two real persons or legal entities. The liability of the shareholders is limited with the share capital. Unlike joint stock companies, stock certificates are not issued.
Turkish architecture offices are usually established under joint stock company and limited liability company status. Nevertheless, the form of sole trader is also preferred by small offices due to its advantages in taxation.