

AN ANALYSIS OF ENTREPRENEURSHIP IN TURKEY:  
CONFLICTS BETWEEN ENTREPRENEURS AND ENTERPRISERS

by  
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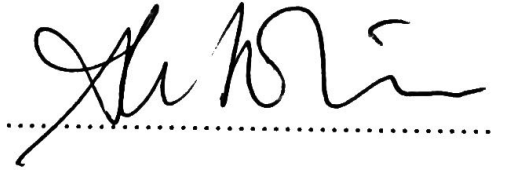
AN ANALYSIS OF THE ENTREPRENEURSHIP IN TURKEY:  
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To Caner,  
To Loki and Charlie,

## ABSTRACT

### AN ANALYSIS OF ENTREPRENEURSHIP IN TURKEY: CONFLICTS BETWEEN ENTREPRENEURS AND ENTERPRISERS

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The understanding of entrepreneurship in Turkey has transformed into a concept, which plays significant role in the development of business sectors, generates an impact over economic and social structures, influences the policy making process of governmental institutions and revealing decision making mechanisms in public and private sector. A continuum has been initialized, which educates entrepreneurs in terms of risk taking, establishing their own businesses and claiming their ideas, discoveries or products, while at the same time, acknowledging activities of entrepreneurs, established ventures and projects that are desired to be implemented is supported with economic development. This study analyzes the conflicts between actors in the entrepreneurship ecosystem of Turkey. Besides analyzing conflicts, and providing a literature review in the area, the importance of Conflict Analysis and Resolution is established as conflicts are experienced between parties who have incompatible interests and goals at the end. This paper aims to reveal the dynamics between entrepreneurs and enterprisers (angel investors, venture capital investors, owners of private equity firms and public and private sector actors), while highlighting main reasons of conflicts that influence the development of ecosystem in Turkey. The goal of the paper is to contribute entrepreneurship studies in academic level through conflicts between entrepreneurs and enterprisers as stating current developments and categorizing ongoing problems in the entrepreneurship in Turkey.

## ÖZET

### TÜRKİYE’DE GİRİŞİMCİLİĞİN ANALİZİ: GİRİŞİMCİLER VE YATIRIMCILAR ARASINDAKİ UYUŞMAZLIKLAR

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*Anahtar Kelimeler: girişimci, yatırımcı, uyuşmazlık, uyuşmazlık analizi, Türkiye’de girişimcilik*

Türkiye’de girişimcilik anlayışı ekonomik ve sosyal gelişmelerde yer alan, sektörlerin gelişmesinde önemli rol oynayan, devlet politikalarına etki eden ve karar verici mekanizmalar ortaya çıkaran bir kavram haline geldi. Girişimcilerin aktiviteleri, kurulan işler ve hayata geçirilmek istenen projeler ile ekonomik kalkınma desteklenirken; girişimci bireylere risk almayı, kendi işini kurmayı teşvik eden ve fikrine/buluşuna/ürününe sahip çıkmayı öğreten bir süreç başlatıldı. Bu çalışma Türkiye’nin girişimcilik ekosisteminde var olan aktörlerin birbirleri ile yaşadıkları uyuşmazlıkları incelemek üzere hazırlandı. Farklı çıkarlar ve amaçlar sebebiyle ortaya çıkan uyuşmazlıkları analiz ederek girişimcilik üzerine yapılan çalışmalara akademik seviyede katkıda bulunulurken, aynı zamanda uyuşmazlık analizi ve çözümü disiplininin önemi de belirtilmektedir. Burada amaç Türkiye’de girişimci ve yatırımcılar (melek yatırımcılar, girişim sermayesi ve özel sermaye yatırımı sahipleri, kamu ve kamu dışı kurumlar) arasındaki uyuşmazlıkları analiz edip ve kurulan ilişkilerdeki değişen dinamikleri incelerken Türkiye’deki ekosistemin gelişmesini etkileyen uyuşmazlıkların ana nedenlerini belirtmektir. Güncel bilgiler sunulurken girişimciler ve yatırımcılar arasındaki uyuşmazlıklar ile girişimcilikte yaşanan sorunlara değinilmiştir.

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## **LIST OF ABBREVIATIONS**

BATNA	Best Alternative to a Negotiated Agreement
BKS	Individual Contribution Capital
EC	European Commission
EIP	Entrepreneurship Indicators Programme
EY	Entrepreneur of the Year
G20	Group of Twenty
GEM	Global Entrepreneurship Monitor
ISGEM	Business Incubator
KOSGEB	Small and Medium Industry Development Organization
OECD	Organization of Economic Corporation and Development
REF	Competition Forum
SMEs	Small and Medium Sized Enterprises
TEA	Total Early Stage Entrepreneurial Activity
TEKMER	Technology Development Center
TEPAV	Economic Policy Research Foundation of Turkey
TOBB	Turkish Union of Chambers and Commodity Exchanges
TTGV	Technology Development Foundation of Turkey
TUBITAK	Scientific and Technological Research Council of Turkey
TUSIAD	Turkish Industrialists' and Businessmen' Association

## CHAPTER 1 INTRODUCTION

### 1.1 INTRODUCTION

Ever changing conditions of the modern era bring new perspectives to the understanding of social and economic developments. As societies change through periods, it is prominent to analyze one of the vital branches of their development that is entrepreneurship. With increasing pace in technological improvements and innovations, entrepreneurship has emerged as a fusion of economic, cultural and social changes. In order to consider entrepreneurship utterly, it is essential to look at the origin of the word itself, which can be traced to the early nineteenth century; in the meaning of ‘undertaken’ and also referring to the word ‘enterprise’.<sup>1</sup> The word’s etymology simply indicates how the concept of entrepreneurship and enterprise that is hooted in development processes, does and creates its own versions that are visible within diverse applications of firms, institutions, and individuals. An analysis of entrepreneurship should also be carried out by the Conflict Analysis and Resolution discipline as the conflict theories focus on generating change and integrating personal and collective relation while at the same time underlining various consequences.<sup>2</sup>

The understanding of entrepreneurship tends to undergo an ongoing revision with new methods, goal oriented relationship. These revisions are fueled by personal relations, and the integration of study area that transforms into an academic analysis.<sup>3</sup> Thus the relationship between conflict and entrepreneurs needs further investigation within aspects of business studies along with conflict analysis. This study focuses on entrepreneurs in Turkey and looks into the conflicts between its actors. In this respect, the research question of this study will examine the relationship and conflicts between entrepreneurs and enterprisers in Turkey, and also, it will study the interdependence and interrelations between actors and factors in the ecosystem as these are highlighted by the developments

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<sup>1</sup> Merriam Webster, s.v. ‘entrepreneurship’.

<sup>2</sup> Cheldelin, Druckman, and Fast, *Conflict*, 39.

<sup>3</sup> Burton and Dukes, *Conflict*, 17.

and implications. This study will establish a connection between conflict analysis and entrepreneurship, therewith there will be detailed explanations such as the background of the study. After viewing conflict analysis and its related theories, main concepts in conflicts will be detailed and the origin and the development of entrepreneurship will be provided notably as focusing on relationships between actors. In the next part of the study, the conflict in entrepreneurship will be subject of review which will lead to the situation of enterprisers and entrepreneurs in Turkey and the conflict between them including the situation of the entrepreneurship ecosystem of Turkey.

## 1.2 BACKGROUND OF THE STUDY

### 1.2.1 Conflict Analysis

To be able to understand the field of Conflict Analysis and Resolution in this study, the most important step to begin with is to examine the meaning of the conflict. On this issue, Burton made a clear cut explanation that distinguish conflict from disputes. First of all, a conflict refers to a deep rooted and long term issue, while disputes occur in short term periods, hence easier to deal with.<sup>4</sup> Secondly, conflicts consist of non-negotiable issues which creates difficult situation that is against resolution process.<sup>5</sup> Inherently, deep rooted and long term issues have structured non-negotiable issues. On the other hand, disputes have capacity to be resolved within processes of negotiations. The distinction between conflict and dispute, therefore, reveals the most important link to theories in conflict analysis and resolution. Thus, theories basically explain the place of conflicts in people's lives as well as highlighting other parts of their lives. As a first theory to look at, the Human Needs Theory has been studied by many scholars, especially Abraham Maslow and John Burton led to the focus of the study, respectively. Maslow's 'Hierarchy of Basic Needs' theory was produced in the 1950s while he indicated five main modules to provide

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<sup>4</sup> Burton, 'Conflict Resolution as a Political Philosophy', 56.

<sup>5</sup> Ibid, 57.

satisfaction in the theory. These modules are biological and psychological needs, belongingness and love, esteem and self-actualization needs.<sup>6</sup> This framework by Maslow was later transformed into John Burton's contribution to the conflict theory in 1970s, as he emphasized Paul Sites' eight categories of needs in order to generate 'non deviant and non-violent individual behavior'.<sup>7</sup> Needs for 'response, recognition, stimulation, security with justice, rationality, control and meaning' constitute Sites' and Burton's main foundation for concept of needs in the conflict theory.<sup>8</sup> In addition, Burton acknowledged four main branches of basic needs which revised Sites' categories and ensured the understanding for conflicts. Hence, identity, recognition, security and personal development become Burton's view for reasoning the social conflicts.<sup>9</sup>

Regarding all these categories and adding the inevitable significance of needs and values, Maslow's basic needs theory and Burton's view on reasons of conflict make point towards to the origin of having a conflict in the society. Galtung also contributed to the definition of needs while he made the state of welfare, freedom and meaning as basic forces to pin in order to understand explanation of destructive conflicts which will be produced by failure in acquiring those needs.<sup>10</sup> In this respect, human needs theory has been a good starting point to establish conflict theory as it also highlights the difference between conflict and dispute. Second theory that should be investigated in order to establish main concepts in conflict is the Relative Deprivation Theory by Ted Gurr, which is one of the main areas of Social Movement Theory. Relative Deprivation theory basically refers to the situations of individuals and groups who perceive their deprivation and discontent according to the comparison of other individuals and groups on the same subjects.<sup>11</sup> In other words, the deprivation feeling and perception are framed by events on the society. Deprivation concept is analyzed differently when the case is about an individual (egoistic deprivation) and/or it is about a group (fraternal deprivation) which may be transformed

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<sup>6</sup> Rubenstein, 'Basic Human Needs: The Next Steps in Theory Development'.

<sup>7</sup> Ibid.

<sup>8</sup> Ibid.

<sup>9</sup> Rubenstein, 'Sources', 64.

<sup>10</sup> Ibid, 69.

<sup>11</sup> Flynn, 'Relative Deprivation Theory', 101.

into kind of bound or relation within the group.<sup>12</sup> The usage of deprivation theory has been enhanced to economics, politics and social sciences as the conflict analysis accepts the theory as one of the main reasoning of the conflicts.

When Samuel Stouffer developed the Relative Deprivation Theory in 1950s, the environment after the Second World War prepared the most appropriate area to study and to research, especially about groups.<sup>13</sup> Therefore, the comparison in the society, feelings and perceptions that are directed by analogy has remained as a method to research societies' perceptions about conflicts. Thus, when conflict is on the agenda, Relative Deprivation Theory becomes evident in establishing standards, which individuals/groups set for themselves, according to the belongingness of others have. In other aspect, the Relative Deprivation Theory surfaces issues between parties when a change or possibility emerges and the allocation of resources is subject to collective desires, as needs are framed by a comparison of others in the society.<sup>14</sup> The theory has applications on areas such as ethnic conflicts, inter-communal conflicts, and mostly in social movements.

Another theory that provides a different perspective to the conflict analysis is the Group Mobilization Theory by Azar and Gurr's contributions in 1980s.<sup>15</sup> While a 'group' is defined a combination of people who carry the same identity and are directed to the same action, group mobilization theory explains causes for the conflict within this definition. The Group Mobilization Theory is related to the Relative Deprivation Theory as the group feels and perceives the fraternal deprivation and it becomes their compass which they act accordingly. After groups' formation, and perception of deprivation, group mobilization leads to conflict.<sup>16</sup> All in all, mentioned theories simply acknowledge conflicts that are inevitable when disagreements occur in the way of desired outcome. The Relative Deprivation Theory produces concepts of frustration- aggression and threat aggression while the Human Needs Theory categorizes basic needs as non-negotiable and universal.<sup>17</sup> In the nature of conflicts, there are dynamics that may change constantly and with every

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<sup>12</sup> Singer, 'The Application of Relative Deprivation Theory, 130.

<sup>13</sup> Flynn, 'Relative Deprivation Theory', 101.

<sup>14</sup> Korpi, 'Conflict, Power and Relative Deprivation', 1569.

<sup>15</sup> Coleman, Deutsch and Marcus, *The Handbook of Conflict Resolution*, 21.

<sup>16</sup> Ibid, 27.

<sup>17</sup> Rubenstein, 'Sources', 64.

variable in the input, the output is also exposed to transform and to change. Therefore, especially in intergroup and intragroup conflicts, these theories are needed to be highlighted in order to internalize the issues to analyze.

### 1.2.2 Conflict Analysis and Resolution as a Discipline

As a discipline, the Conflict Analysis and Resolution has been contributed by many mainstream study areas and has started as a separate study area since the establishment of the Journal of Conflict Resolution in 1957. Beginning with Institute for Conflict Analysis and Resolution which was established at George Mason University, the field has been the initial scholar institutional body of the discipline.<sup>18</sup> In this respect, Conflict Analysis and Resolution has proceeded in a short period of time while rendering new perspectives to integrated disciplines, such as political science, cultural studies, sociology and economics. Being in such a center, the discipline compounds various features that will enable a research in a matter which is to be analyzed. In this study, therefore, the conflicts between entrepreneurs and enterprisers in Turkey will be examined, while the connections between groups are formed in the light of conflict analysis.

At this stage, the initial step is to analyze level of conflicts. In this manner, the level represents the relation between parties that are connected to the conflict and its process. The level of conflict can be explained within four groups; intrapersonal, interpersonal, intragroup and intergroup.<sup>19</sup> Intrapersonal and interpersonal conflicts consist of groups of people and such kind of conflict needs special attention in terms of its development, progress and dynamics within group as well as behaviors in group.<sup>20</sup> Either intragroup or intergroup, parties to a conflict carry features which Brown named as ‘Three Legs of a Stool’. First feature is party’s variances over power relations, allocation of resources and interests. Second feature is stereotypes between parties of the conflict that can be

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<sup>18</sup> Pruitt, *Handbook of Conflict Analysis and Resolution*, xx.

<sup>19</sup> Cheldelin, Druckman, and Fast, *Conflict*, 29

<sup>20</sup> *Ibid*, 30.



categorized as negative factor. Final feature is the injustice that is perceived by parties.<sup>21</sup> It lays bare the fact that the disagreement between parties may be constituted by different issues which are difficult to resolve. Therefore, when a zero-sum final occur to the conflict, parties have already been in the perception of a competitive conflict.<sup>22</sup> Deutsch's theory of cooperation and competition, thus, refers to an usher to have a better understanding of parties and their involvement in the conflict process, while analysis of the theory also provides a guide for subsequent steps of conflict; its management and resolution.<sup>23</sup>

### 1.2.3 Role of Power in Conflicts

In a conflict situation, where parties are represented by groups or individuals, features of their relationship matter in a way that these features construct the process and the resolution of their conflicts. In this manner, looking into parties' relationships necessitates a study on two areas; communication between them and the existence of power in the relationship. The study of Krauss and Morsella presents four models in order to explain forms of communication that influence conflict process. Communication between parties always set the tone of the duration and is a significant factor in terms of building a way for resolution. Although the level of interpersonal and intergroup conflicts stand for different elements, the models of communication in conflict will be necessary in explaining causes of conflicts, duration and results. Thus, first model is named 'The Encoding-Decoding Model' as it verbalize the process of communication in three simple steps, creating message, delivering it to the other party and perceiving by the other party.<sup>24</sup> In other saying, giving a clear message about the desired outcome genuinely matters, while the way of giving it construct the relationship from the beginning.

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<sup>21</sup> Brown, *Social Psychology*.

<sup>22</sup> Deutsch, *The Resolution of Conflict*.

<sup>23</sup> Coleman, Deutsch and Marcus, *The Handbook of Conflict Resolution*, 32.

<sup>24</sup> Krauss and Morsella, 'Communication and Conflict', 131.

Second model, the intentionalist model, refers to a situation in which parties share knowledge, cultural specifications and a common language that they can prevent miscommunication and disinformation between each other.<sup>25</sup> The necessities of this model also rule out the possibility of interpretation and forecasted intention and countermand deterrents on the way of resolution. Third model, the perspective-taking model, highlights the other differences between parties even if they have some cultural features, common language and so on.<sup>26</sup> The focal point in this model is the forming the message to the shape that the other party wants to receive. In this framework, disabling stereotyping, prejudices and difficulties in reaching different parties and their interests is the formulation of third model.<sup>27</sup> Forth model, the dialogic model, remains as the model type which implies 'cooperation and communication' at the same time.<sup>28</sup> The significance of having right information on the base of a clear message and in a cooperative environment in which parties are willing to hear and understand each other's messages without searching two faced or deeper meanings, has been the core of this model and it shows the effectiveness of the communication in conflict. On the other hand, it is always crucial to underline the fact that misappropriate forms of communication deteriorates the process and it may corrupt the previous works.<sup>29</sup> To be more precise, with a good constructed one, communication between parties may be the key in conflict between parties.

Regarding communication between parties, the question of the positions of parties comes forward, as power relations between parties also forms the core of conflict and possesses the resolution through negotiation. In another aspect, negotiation is also prominent concept to know at this point. As the meaning of word negotiation refers to 'a formal discussion between parties who are trying to reach an agreement, an act of negotiating'.<sup>30</sup> According to Ury, Brett and Goldberg's study, there are three main approaches for negotiations. First one is interests especially when knowing the inherent of other plays a crucial role in conflict. Second one is rights which is crucial in identifying

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<sup>25</sup> Ibid, 133.

<sup>26</sup> Krauss and Morsella, 'Communication and Conflict', 133.

<sup>27</sup> Ibid, 134.

<sup>28</sup> Ibid, 140.

<sup>29</sup> Ibid, 141.

<sup>30</sup> Merriam Webster, s.v. 'negotiation'.

rights on the conflict. Third one is the power which is essential and effective over parties' behaviors towards each other and to the resolution.<sup>31</sup>

Moreover, in a conflict analysis, parties' positions designate their approach to the other party's goals. Thus, the power relation between parties directs the pre-, during and post negotiations in a conflict while it is essential to look at the concept of power and power symmetry/asymmetry. Having the power refers possessing the advantage over the other party and being able to get what one party wants in the way of it wants, as it can be used to reach desired outcomes or the solution.<sup>32</sup> In addition, being the powerful party gives a chance to dominate process in which the conflict resolution is directed to a distributive solution that lays a zero sum negotiation in the conflict, than to an integrative solution, that is close to a win-win situation for all parties.<sup>33</sup> When the origin of power is mentioned, three dimensions can be elaborated; power that is coming from possessions, power as a relationship and power that is arising from relational quantity, concepts which have been stemmed from studies of Thomas Hobbes, John Locke and Karl Deutsch, respectively.<sup>34</sup>

The question of how parties acquire power also has five answers. Expert power which requires an expertise on the issue while reward power includes ability to reward other parties in exchange for what has to be done; coercive power presents a punishment on other parties as legitimate power frames the positional power and the last but not least referent power, which connects having power and being respectable or achievable on the issue.<sup>35</sup> These dimensions also disclose the sources of power, as explained by Lewicki et al., in five headings; informational, personal, positional, relationship based and contextual sources of power.<sup>36</sup> In the levels of conflict, these sources of power remains strong indicators of the nature of the conflict and its resolution.

In conflict analysis, the power, alongside its definition, types and sources, produces a thin balance between parties. This thin balance can be categorized as symmetry or

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<sup>31</sup> Lewicki, Barry and Saunders, *Essential of Negotiations*, 149.

<sup>32</sup> Merriam Webster, s.v. 'power'.

<sup>33</sup> Lewicki, Barry and Saunders, *Essential of Negotiations*, 150.

<sup>34</sup> Pfetsch, *Negotiating Political Conflicts*, 91.

<sup>35</sup> Lewicki, Barry and Saunders, *Essential of Negotiations*, 149.

<sup>36</sup> *Ibid*, 149.

asymmetry in order to fully understand the reasoning of the duration of conflict between parties. Furthermore, the structure of power relation between parties not only influence the duration of conflict in negotiations, but also it sets the map, which is designed to reach the resolution, from the beginning and leave no chance to change the continuum. According to Pfetsch, the concept of symmetry and asymmetry in social sciences refers to the categorization of mutual relationship and the definition of sources of power.<sup>37</sup> While asymmetry indicates the poles apart, such as the weak and the strong, symmetry has set up a balanced and just relationships.<sup>38</sup> Whereat, whilst the weak, the poor, the small ones try to acquire their desired outcome, tone of the negotiation and duration of the conflict are established by the strong, the rich, the big ones. Accepting this type of existence for relationships, conflict analysis opens many interpretations in various areas and gives a meaning to the conflicted issues between parties. In this study, due to its subject, all these concepts are interrelated and interdependent in explaining the parties' relation by making connections of power relations between them. Consequently, further prospecting will be held while terms explained above will help building the research.

#### 1.2.4 Business Conflicts

This study will examine the entrepreneurship conflicts specifically between entrepreneurs and enterprisers, which includes angel investors, owners of private equity firms, venture capitalists, public and private fund institutions, in Turkey. In this respect, for a solid background, a necessity occur to look at business conflicts while entrepreneurship is intertwined with business in its production, development and practices. Business refers to an entity including commercial activity and produces outcomes that support livelihood. Entrepreneurship, thus, refers to a business directed by a plan and a management by the entrepreneur despite of having risks due to capital concerns. Starting from 1940s and 1950s business historians also studied entrepreneurship which included management and

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<sup>37</sup> Pfetsch, *Negotiating Political Conflicts*, 112.

<sup>38</sup> *Ibid*, 96.

organization.<sup>39</sup> Throughout the studies that carried out in 1980s, business schools also interested in entrepreneurship with its coverage and process in political, social, economic developments.<sup>40</sup> In parallel to economic changes in all kinds of monetary systems, business also change their skins in order to fit in a new set of economic systems. Thus entrepreneurship has occurred as an alternative frame and a dynamic factor in business management while entrepreneurial activities have increased throughout years.

In this relation, it is crucial to underline that analyzing business conflicts will provide a sense of understanding of the conflicts in entrepreneurship and it will lead to producing a broader framework. To begin with, business conflicts can be categorized as task conflicts, in which the disagreement exists over the application of situation. Interpersonal conflicts, in which the disagreement occurs on the achievement of a common goal, role conflicts which are produced by the necessities of individuals' roles. Positions and intergroup conflict that involves groups in the organizations and a high scale of conflict portfolios can hurt the individuals and groups.<sup>41</sup> In order to establish a frame to business conflicts in organizations 'Thomas- Killman Conflict Mode Instrument' by Kenneth Thomas and Ralph Killman in the 1970s may provide an explanatory approach. According to this theory, due to the inevitable nature of conflict, the existence of conflicts actually enables outcomes that are much positive.<sup>42</sup> Theory also states five levels in the process of resolving the conflict, competitive, collaborative, compromising, accommodating, and avoiding.<sup>43</sup> Along the lines of negotiation strategies yielding, contending and problem solving, five levels establish options to reach a viable method in resolving the conflict.<sup>44</sup>

Regarding these levels, the Maturity and Immaturity Theory presents another view in organizational conflicts. In this theory by Chris Argyris, individuals are in need of

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<sup>39</sup> Soard, *Five Levels of Organizational Conflict*, 1.

<sup>40</sup> Ibid, 3.

<sup>41</sup> Feigenbaum, *Organizational Conflict Theory*, 1.

<sup>42</sup> Soard, *Five Levels of Organizational Conflict*, 2.

<sup>43</sup> Ibid, 2.

<sup>44</sup> Pruitt, *International Negotiation: Analysis, Approaches, Issues*, 85.

maturity in business lives, such as familiarity with a child is in need of maturity as approaching adulthood.<sup>45</sup>

In this theory seven main areas are indicated and selected; positivity/activity, dependence/interdependence, behavior development, interest development, equality and superiority, self-awareness and control.<sup>46</sup> In conflict analysis, bypassing even one step may be the cause of deeper problems and causes a deeper conflict, which is showed as first phase of conflict process and the disagreements between parties are not efficient or in the process of transforming into conflict, while at the same time parties may not even be aware of it in a long time.<sup>47</sup> Beside theoretical explanations it is significant to note that entrepreneurship is one of the five types of organizational modules generated by Henry Mintzberg.<sup>48</sup> In this respect, the bound between entrepreneurship, business, organizations and management indicates how are these areas interconnected and integrated to each other so that information given will be necessary and focal in the analysis of entrepreneurship as well as conflicts between its actors.

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<sup>45</sup> Dininni, 'Can Argyris's Management Theory Help Your Company Mature?' 3.

<sup>46</sup> Ibid, 3.

<sup>47</sup> Bharm, *Conflict Stages*, 3.

<sup>48</sup> Kokemuller, *Mintzberg's Five Types of Organizational Structure*, 1.

## CHAPTER 2 ENTREPRENEURSHIP

### 2.1 HISTORICAL CONCEPT OF ENTREPRENEURSHIP

In order to begin explaining the historical background of entrepreneurship, it is significant to focus on its early introduction. In addition to studies and researches, it is necessary to look through schools, disciplines and academic scholars who put a great emphasis on the development of entrepreneurship. Thereby, various schools have reserved many scholars from diverse study fields such as economy, finance, sociology, psychology and these scholars have determined the direction of the understanding of entrepreneurship. Academics whose thoughts and studies belong to various schools have drawn the framework for the concept.

Richard Cantillon, a seventeenth century Irish economist and one of the earliest economists, was one of the first to use the term entrepreneurship as concept. This early introduction was located on his study of 'monopoly-estate model' and he simply presented 'entrepreneur' in accordance with his period's necessities, as the entrepreneur referred 'the undertaker' of uncertainty of businesses, in investments and profits.<sup>49</sup> Defining the entrepreneur, inside risks and uncertainties, was also accompanied by an environment of 'competition' and it was a visionary definition. Following studies of Cantillon, Jean Baptiste Say, a French economist of the nineteenth century and of the French school, emphasized the term 'entrepreneur' as he indicated entrepreneurs as the 'linchpin of the economy'.<sup>50</sup> Say expanded the concept as he embarked various features to an entrepreneur within concepts of supply and demand.<sup>51</sup> In this respect, the definition and meaning of the entrepreneur indicated place of such concept within the history of economics and social development. Later, Alfred Marshall, a scholar of English school of thought, in the late nineteenth century, established his study of 'Principles and Economy', whilst he mentioned characteristics that made an entrepreneur successful in terms of economies' market

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<sup>49</sup> Rothbard, *Richard Cantillon: the Founding Father of Modern Economics*, 3.

<sup>50</sup> Rothbard, *J.B. Say Salvages the Entrepreneur*, 4.

<sup>51</sup> *Ibid*, 4.

conditions.<sup>52</sup> Questions asked toward the difference between a businessman and an entrepreneur occupied a significant place in the understanding and this led to many explanations to be made accordingly. During the years followed main scholars' studies, entrepreneurship gained different perspectives from various disciplines. Cantillon (1755) led the tradition with his work on the concept and gave entrepreneurship a place in the midst of other studies under the focus of economics and finance.<sup>53</sup> One of the earliest traditions was the Chicago Tradition (1921) that was led by Frank Knight and his theory on Risk Bearing in which entrepreneurs had been labeled as 'risk takers'. The theory of Knight defined 'entrepreneur' as an individual who has the capacity of making risky decisions and judgments and at the same time be able to access technological advancement by the help of environment in which the entrepreneur exists in.<sup>54</sup> German and Austrian Traditions led by Joseph Schumpeter, who, in 1942 book 'Capitalism, Socialism and Democracy', stated his negative opinion when asked about the future of capitalism mentioning the capitalism would not be successful.<sup>55</sup>

As Schumpeter had his set of thoughts on capitalism's future and its failure due to uncontrollable success, he placed the link between innovation and the entrepreneurship among his researches. In this sense, Schumpeter had stated the significance of innovation and the entrepreneur, who has the ability of creating change and improvements, which bring an opposite result according to his studies, 'creative destruction'.<sup>56</sup> In this concept, he stated the fact that bringing new occasions to the existing system may be a threat to the resources and their composition.<sup>57</sup> On the one side, entrepreneurs hold the key to great developments by innovations, but on the other side, it becomes a destroyer for its current situation and applied conditions. Because of the fact that entrepreneurs are accepted with the notion of being able to differ from other individuals in societies, their approaches and practices for bringing the newest improvements becomes the destruction for the current one

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<sup>52</sup> Westhead and Wright, *Advances in Entrepreneurship*, xiv.

<sup>53</sup> *Ibid*, xiv.

<sup>54</sup> *Ibid*, xiv.

<sup>55</sup> Casson, *Entrepreneurship*, 6.

<sup>56</sup> Westhead and Wright, *Advances in Entrepreneurship*, xiv.

<sup>57</sup> *Ibid*, xv.



and especially in the eyes of society destruction and progress happen at the same time.<sup>58</sup> Within this context, Schumpeter's studies on entrepreneurship was visionary while also crucial for the explanation of economic and social development.

From this point, it is also vital to look at studies of T.W.Schultz (1964) and his theory in which he included other activities outside the economic ones.<sup>59</sup> Schultz marked four critics for establishing features for entrepreneurship in earlier studies. They were restricting entrepreneurship to only business circles, not differentiating the variances between entrepreneurship, accepting it as a common activity and in general balance of the current system, entrepreneurship and its necessities were neglected.<sup>60</sup>

Another contribution was added by Ludwig Von Mises, who was also a well-known economist of his era, and in the framework of the 'Human Action Theory', in which market and future possibilities influence human action as it also influence them in reciprocity and create a vicious circle in this sense. Mises' thoughts provided a definition for entrepreneurs while referring every man as an entrepreneur.<sup>61</sup> Another explanatory theory on entrepreneurship was carried out by Israel M. Krizner with a contemporary approach. In *Competition and Entrepreneurship* (1963), Krizner specifically underlined the concept of entrepreneurship within economics and acknowledged entrepreneurs in the framework of competitiveness and their contribution to the market in this context.<sup>62</sup> Harvey Leibenstein was another scholar, who revealed a significant theory on entrepreneurship in his article 'Entrepreneurship and Development' (1968). In his article Leibenstein indicated three features for entrepreneurship and provided new roles for entrepreneurs that include various activities in market economy such as providing modern processes according to the level of demand but not to supply, and placing profits.<sup>63</sup> In accordance with enumerated years, it is easy to seek that entrepreneurship has rooted further in economics and finance but it has also expanded to other branches that related to activities of society. In the theory of David McClelland, he makes use of Theory of Achievement Motivation, in which power,

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<sup>58</sup> Link, *Entrepreneurship and Technology Policy*, xii.

<sup>59</sup> Ibid, xii.

<sup>60</sup> Ibid, xii.

<sup>61</sup> Ricketts and Krizner, 'Krizner's Theory of Entrepreneurship – A Critique', 67.

<sup>62</sup> Ibid, 67.

<sup>63</sup> Nayab, *What is Entrepreneurship? A Look at Theory*, 2.

affiliation and achievement meet motivations of individuals as power and achievement prepare the basis for motives for an entrepreneur.<sup>64</sup> Being a psychologist, he also indicated the fact that entrepreneurs show their behaviors by achievement motivation and linked his theory as a bridge for economic growth and entrepreneurs' achievement status.<sup>65</sup>

Regarding entrepreneurs located in the core of the concept, Peter Drucker makes his statement through his work 'Innovation and Entrepreneurship' (1985). Drucker, who has become one of the most effective business gurus, mostly focused on management and business studies in his earlier career. With the rapid change and advancing technologies innovation and entrepreneurship are acknowledged by his researches as he developed a theory on entrepreneurship. Whilst innovation and resources are pointed out as major starting points for entrepreneurship, success should be rated by its value and satisfaction reflected from subjects in the economy.<sup>66</sup> In consideration of definition of entrepreneurs, Drucker chooses behavioral patterns. In order to improve in this concept, an individual should behave in the same manners.<sup>67</sup> According to his theory, values and satisfaction to the subject of entrepreneurial activity, producing a new set of values and an integration of existing ones are crucial factors especially in the launching and processing a new entrepreneurship.<sup>68</sup> While Drucker's studies and theory carry the historical background of entrepreneurship to recent literature, a strong framework and a detailed base for further studies are also established.

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<sup>64</sup> Nayab, *What is Entrepreneurship? A Look at Theory*, 4.

<sup>65</sup> Management and Business Studies Portal. 'David McClelland', 6.

<sup>66</sup> Drucker, *Theory of Innovation and Entrepreneurship 2*

<sup>67</sup> Ibid,2

<sup>68</sup> Ibid, 2.

## 2.2 WHAT IS ENTREPRENEURSHIP?

The complexity of today's financial regulations and economic systems reveals the importance of entrepreneurship and its place in not only economical but also in social developments of societies. It should be known that with every change in the process of societal activities, outcomes are also changing and leading to further novelties. In this sense, asking the question of what is entrepreneurship presents many miscellaneous answers from various study areas.

In order to give a comprehensive statement to the entrepreneurship previous definitions should be analyzed. According to the meaning of the word, entrepreneurship refers to launching a business with no reservations from financial risks in order to acquire profit. Words 'risk' and 'profit' also put a framework for the meaning in which having a business idea, practicing that idea and taking risks for reaching profitable results are main steps. Furthermore, entrepreneurship combines business, economics, sociological studies and each related issue in the process. Therefore, an entrepreneur is a synthesis of all elements involved. According to Kwatko and Hodgets, entrepreneurship is a comprehensive combination of 'seeking opportunities, taking risks, having the tenacity' while it is also a 'symbol of achievement'.<sup>69</sup> Barringer and Ireland seek entrepreneurship in processes through which individuals make use of opportunities they encounter without concerns over their resources' control.<sup>70</sup> Their keywords for entrepreneurship are innovation, creativity, willingness and risk taking.<sup>71</sup>

In this point, it is necessary to recall traditional views' and schools' definitions of entrepreneurship. According to Carsrud and Brömbäck, 'supporting entrepreneurship is critical to the economic health of regions and nations' which reflects how the level of influence of entrepreneurship differs but it also presents its significance.<sup>72</sup> In this respect, taking different branches into consideration will be explanatory. In sociology, entrepreneurship is analyzed in a social context and interests the choices of individuals in

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<sup>69</sup> Kuratko and Hodgets, *Entrepreneurship*, 5.

<sup>70</sup> Barringer and Ireland, *Entrepreneurship*, 5.

<sup>71</sup> *Ibid*, 5.

<sup>72</sup> Carsrud and Brannback, *Entrepreneurship*, 12.

their careers.<sup>73</sup> Additionally, in the same perspective, failure of the domination of massive production organizations and the fact that characteristics of society is effective in entrepreneurship are revealed.<sup>74</sup> Another branch which contributes to entrepreneurship is psychology and the area marks the significance of motivation, control, processes and issues related to individuals.<sup>75</sup> As psychology explores drives in entrepreneurship, anthropological perspective analyzes the change element through economic improvements and categorizes entrepreneurs as individuals who start this transition in the societies as referring entrepreneurship as ‘multi-dimensional’ structure.<sup>76</sup> In management perspective, businesses, ventures and related concepts such as innovation and risk taking are under investigation in relation with finance and organizational studies, while cultural studies marks significant bullets in entrepreneurship and how does culture influence entrepreneurs and what does culture differentiate among societies.<sup>77</sup> Consequently, contributions from many fields indicates how entrepreneurship hosts diversity and the complexity of its structure.

### 2.3 WHO IS AN ENTREPRENEUR?

Economic conditions are always in a transition and results in societal areas bring the continuation for the development processes. In this sense, when defining an individual as an entrepreneur, two aspects should be followed; characteristics and behavioral situations. To begin with, characteristics play a major role in defining ‘entrepreneur’. Being able to take risks, searching for further advancements, seeking profits, having foresight, making difference and having indulgence in business are first traits to mention. Secondly, sociological and cultural influences pose behavioral features of entrepreneurs. Beside characteristics that may seem different for every individual, social textures and cultural

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<sup>73</sup> Westhead and Wright, *Advances in Entrepreneurship*, xix.

<sup>74</sup> *Ibid*, xix.

<sup>75</sup> *Ibid*, xviii.

<sup>76</sup> *Ibid*, xix.

<sup>77</sup> *Ibid*, xxii.

manners frame common peculiarities in entrepreneurs and shape their behaviors. It should be known that explaining such a composite concept is not an easy step to take and the concept of entrepreneurship and features of entrepreneurs have been influenced by many different factors. On the other hand, some mutual features may be established. First one is being able to control the process and resources, and change them. Second feature of an entrepreneur is creating values by organizing or reconstructing economical resources and third one is while creating values and seeking profit without concern of taking risks, entrepreneurs are able to solve problems and thus, conflicts during their interactions in business.<sup>78</sup> Therefore, although there are multiple factors that affect the being of an entrepreneur, the joint bullets provide a sense of type and characterization.

In definitions of international institutions these joint features come to the forefront. For example, European Commission (EC) defines entrepreneur with patterns of creativity, being able to take risks, having capacity of planning and managing plans to achieve desired success.<sup>79</sup> Organization of Economic Cooperation and Development (OECD) refers entrepreneur and entrepreneurship as significant actors and activities in order to sustain economic power in developed countries while becoming major catalysts in generating and improving new employment and prolificacy.<sup>80</sup> According to United Nations Global Entrepreneurs Council which is formed by various business people from all around world in 2011, entrepreneurs are stated as solution finders and problem solvers through innovation to global problems.<sup>81</sup> Despite these definitions are made by main organizations, the Global Entrepreneurship Monitor (GEM), which has carried out annual analysis over thirteen years and emphasizes entrepreneurial activity and attitudes of entrepreneurs all around the world as a project, indicates ‘entrepreneur’ as the actor of economic development in not only national framework but also in international context.

Thus, once more time entrepreneurship and its activities by its actors cannot simply explained but hold comprehensive elements, facts and actors in its constitution. As a result, in definition of entrepreneur and what does define an individual as entrepreneurs, Suster

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<sup>78</sup> Top, *Girişimcilik*, 6.

<sup>79</sup> European Commission, SMEs.

<sup>80</sup> Smallbone, ‘Fostering Entrepreneurship in Rural Areas’, 12.

<sup>81</sup> UN Global Council, *Who We Are?*

arrays numbers of specifications, tenacity, in which entrepreneur is always persistence in his/her strategy, being a 'street smart' who practices and learns from experienced, ability to pivot, which requires abilities to be at the center of developments, resiliency which evert entrepreneur should have in order to be strong towards risk taking, inspiration and perspiration which entrepreneurs should benefit the most in their creations, accepting risks, detailing, sense of competition, determination, and finally integrity.<sup>82</sup>

#### 2.4 ENTREPRENEURSHIP, PERCEPTIONS AND CULTURE

Explaining the conflict processes in entrepreneurship brings joint topics to the study and two of the significant areas to look at emerge as perception and culture of parties. As individuals become entrepreneurs and their activities generate the concept of entrepreneurship, one of the main factors is posed by culture and cultural specifications over the individual. Due to its nature and its wider extent, disclosing culture will be essential in this study. In addition, the study should give an explanation of why investors and entrepreneurs have different perspectives and approaches to the common issues as analyzing causes of conflicts among them.

In this respect, Ting-Toomey's study can be mentioned as it demonstrates culture as a 'form of antagonistic communicate experience' in which demands and liabilities come along to individuals' lives.<sup>83</sup> In culture's analysis, the link between conflict and entrepreneurship also paves the way for differentiating between concepts of High Context and Low context Cultures. According to Ting-Toomey, High Context Cultures includes a high level domination of group identity whereas low context cultures put significance on individualistic approach rather than a homogenous structure.<sup>84</sup>

The simple explanation points out many difficult conflicts and the hardships on the way of resolution. In entrepreneurship, culture's level of influence on individuals settles the

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<sup>82</sup> Suster, *Entrepreneur DNA*, 2.

<sup>83</sup> Ting- Toomey, 'Toward a Theory of Conflict and Culture', 46.

<sup>84</sup> *Ibid*, 46.

tone of relationship between actors. Regarding perceptions of parties, the relationship between culture and entrepreneurship can also be explained between culture and entrepreneurship can also be clarified in terms of socio-economic relationship and entrepreneurs' attitudes. For example, according to Doepke and Zilibotti, the intensity of entrepreneurs in a society enthralls the growth and the development of economy while entrepreneurs determine the level of technological advancement and, consequently, innovations.<sup>85</sup> With high number of individuals who are risk tolerant and profit seekers, population starts to become entrepreneurial and this lead to improvement in economic activities. Furthermore, economic growth is constituted investment in 'human capital' and bound innovation, culture and economy together.<sup>86</sup> Considering a community which is fostered by entrepreneurs, this approach is logical and also possible, especially the factor of activities and creation of individuals become driven for others in the society. Other approach in the relation between entrepreneurship and welfare is based on the attitudes of entrepreneurs. This perspective reveals the importance of high versus low context cultures but also the derivable influence of culture manifests itself on the relations between actors in entrepreneurship, in a building a mindset, and in developing enterprisers and businesses. According to Bergman, from Max Weber's stud in religious-ethical motivations and entrepreneurship to today's contemporary researches, there is evidently a link between culture and business formations.<sup>87</sup> Bergman also indicates culture is a part of explanation to the question of why does an individual becomes an entrepreneur and willing to take risks.

While numerous factors are given in explanation of starting a business, culture and its features are non-ignorable elements in not only individual but also domestic and international levels.<sup>88</sup> In long term affections, culture plays a dominant role on entrepreneurship and its perception of the society. In this sense, perceptions of parties, behavioral patterns, attitudes towards activities and willingness to be part of entrepreneurship come to the agenda with involvement of culture. In the light of this link, culture and perceptions should be taken into consideration and preserve possibilities of conflicts that may be driven by their influences.

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<sup>85</sup> Doepke and Zilibotti, 'Culture, Entrepreneurship and Growth', 1.

<sup>86</sup> Ibid, 3.

<sup>87</sup> Bergmann, 'Cultural Aspects of Entrepreneurship', 3.

<sup>88</sup> Ibid, 5.

## 2.5 TYPES OF ENTREPRENEURSHIP

Analyzing entrepreneurship needs further categorizations due to diversity in the origin of entrepreneurships and entrepreneurs. Although there is no clear cut distinction in categorization, seven types of entrepreneurship can be mentioned. According to Top, entrepreneurship, intrapreneurship, corporate entrepreneurship, professional entrepreneurship, technical entrepreneurship, entrepreneurial ventures and ecopreneuring form seven types of entrepreneurship.<sup>89</sup>

In this study intrapreneurship, corporate entrepreneurship and entrepreneurial ventures will be subject to analysis. First of all, intrapreneurship refers to employees in a company who are able to be seen as entrepreneurs and have similar features. The reason of such categorization exists, is that intrapreneurship focuses on solving cases within organization, thereby individuals have opportunity use their skills and make them applicable.<sup>90</sup> In this respect, intrapreneurs become productive problem solvers while their campaigns asset their risk comes from the process of which intrapreneurs only deal with some short term process.<sup>91</sup> Besides, Top suggests that intrapreneurship is the focal point in improving entrepreneurship and it can be expanded in order to add value to the organization with competition, innovations and quality.<sup>92</sup>

Secondly, corporate entrepreneurship is a form of entrepreneurship, which was originated due to extreme economic crisis such as Great Depression of 1929.<sup>93</sup> For protecting small scale business and encountering entrepreneurs even in the worst conditions are reasons of such formation and it provides sets of support to those while decreasing risk taking and increasing profits.<sup>94</sup> Third type to analyze is entrepreneurial ventures. This type provides a transformation for entrepreneurships within rapid process of change in various sectors. Thus, transforming obsolescent entrepreneurships to moderate ones brings out

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<sup>89</sup> Top, *Girişimcilik*, 18.

<sup>90</sup> Murray, '10 Things Entrepreneurs Need to Know about Intrapreneurship', 6.

<sup>91</sup> Ibid, 7.

<sup>92</sup> Top, *Girişimcilik*, 10.

<sup>93</sup> Ibid, 11.

<sup>94</sup> Ibid, 12.



entrepreneurial ventures.<sup>95</sup> Categories appear as reflections of the process in entrepreneurship and with every type an explanation is also produced for current schemes and settings.

## 2.6 CONFLICTS IN ENTREPRENEURSHIP

The concept of entrepreneurship consists of activities of entrepreneurs on various research interests. In this respect, it is a natural process that entrepreneurship involves conflicts. There are several reasons for this deduction. Firstly, actors that are involved in the process are individuals and their organizations or institutions. In this sense, the disagreement over desired goals or different aims bring conflicts to the surface, while theories of human needs and relative deprivation theory will be explanatory in such situations. Essential needs, inevitable values, unopposed manners and desired goals are main challenges to a resolution that will harden the satisfaction for both parties in a conflict. Thus, in entrepreneurship, subjects on the area will be under consideration of actors' priorities and conflicts will occur especially in their activities. Secondly, power relations on the other hand is also an affective factor in entrepreneurship that has capacity to generate conflict. Due to the nature of relationships built within entrepreneurship, the power status of parties are significant. On the one hand, entrepreneurs who have the idea and who invent a business model or a product, on the other hand there are investors, organizations, institutions who will be in the focal point in where actors in materializing entrepreneurs' projects with their support, finance and investments. Thereby, the part which can be powerful in terms of resources, potential or possessions will have the upper position in relationship and will determine the direction of the project or business.<sup>96</sup>

Although being the powerful party dominates the relationship between parties, 'being powerless can be transformed to strength'.<sup>97</sup> There are various methods for this

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<sup>95</sup> Top, *Girişimcilik*, 17.

<sup>96</sup> Pfetsch, *Negotiating Political Conflicts*, 112.

<sup>97</sup> Pfetsch, *Negotiating Political Conflicts*, 115.

structure. Firstly, it is significant to establish that there may be various situations in which the powerful party depends on the weaker party as the weaker party owns important position. Secondly, the weaker party may be in the position of blocking further improvements. Without the consent and willingness of the weaker party stronger party may not dominate the situation and its power becomes a handicap for the process. Thirdly, weaker party may find resources from outside in which stronger party loses its influence. In this point, Fisher and Ury's concept of 'Best Alternative to a Negotiated Agreement' (BATNA) places crucial importance of other alternatives that will be applied in terms of undesired results. BATNA's are strength of weaker party as they create an exit to themselves.<sup>98</sup> Last but not least, due to the loss anticipated at the end of the negotiations, stronger party may be in danger of 'losing face', which brings public shame and loss of strategic upper hand. Therefore, besides compensation and concessions, being powerless may change the balance between parties. Thus, in entrepreneurship when parties are in negotiation or in a situation, which necessitates a dependent power relationship between actors, there are various factors to prescind in terms of analyzing the conflicts. All in all, causes of conflicts are essential to mention to explain all factors generally. Because of the intermingled structure of context, actors and causes of conflicts, the results will draw a framework to dynamics of conflict.

In entrepreneurship, it is also necessary to look at organizational conflicts and causes because conflict may occur not only between individuals, but also in organizational level which can be divided into interpersonal, intragroup and intergroup. According to Rahim, the most crucial step in organizational conflicts is to manage them, not to eliminate them. In this respect, he also states various criteria for management, organizational learning and effectiveness, satisfying needs of stakeholders, and considering ethical problems.<sup>99</sup> Regarding these elements in organizational conflicts, the causes remain open and common while it will be directory for this study and point out the conflicts in entrepreneurship.

In this study, conflicts of entrepreneurship will be analyzed according to actors and the relationship between entrepreneurs and their investors, supporters, organizations will be

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<sup>98</sup> Splanger, 'Conflict and Disputes', 3.

<sup>99</sup> Rahim, 'Toward a Theory of Managing Organizational Conflict', 207.

major concern. In this sense, while analyzing Turkish entrepreneurship, the question of what are reasons of conflicts between actors in Turkey will be asked and in answering the question, problems before, during and after conflict will be under consideration and elements over their negotiation processes will also be added. Before providing information on Turkish entrepreneurship, this paper will provide a literature review that enhances the contribution of the cases as it enables an academic background to the subject. In the aftermath of preparing the base for case analysis, which was carried out with questions and semi-structured interviews, consequently, at the end of the study, conflicts between actors in Turkish entrepreneurship will be explained with examples from cases and it is aimed that there will be a detailed research on the subject.

## CHAPTER 3 LITERATURE REVIEW

### 3.1 LITERATURE REVIEW ON CONFLICTS BETWEEN ENTREPRENEURS AND ENTERPRISERS

Previous researches are instructive studies, which are subject to evaluation and critics while improving the study area further. Thereby, looking into previous studies executed on the focus of conflicts between actors in the ecosystem of Turkey will enhance the understanding of the analysis this study will conduct. In this context, referring institutional reports as well as academic studies will be essential.

For the cases in Turkey, it should be highlighted that because of entrepreneurship is still in a mint condition, reports and studies are mostly carried out with a focus on its advancement. Therefore, beside conflicts within factors, there are not comprehensive studies on specifically conflicts within actors. In this sense, studies on conflicts between entrepreneurs and enterprisers in academia will be leading for this study. Examining sources from various channels provides different reasons for the conflict and will present a set of ideas about why do conflicts occur between actors.

Regarding enterprisers' conflicts among themselves, one of the important and experienced authors on the subject, Shah indicates five main conflict areas. Especially in the start-up companies, which are newly established to produce a solution or product to a specific field with a possibility of growing and advancing as a business model, the conflict between enterprisers, investors, founders brings variety of problems. According to Shah, first conflict arises due to uncertainty on the issues such as compensation, management, further developments, having investments. In other words, indetermination of roles between actors and equivocality in the results of actions taken will cause a conflict. Shah specifies that these conflicts may resolved by negotiation in the best and legal actions in the worst cases , but due to natural development of process this conflict should be framed as conflict of interests.<sup>100</sup> Second conflict that Shah remarks, is the conflict of labor over the work.

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<sup>100</sup> Shah, 'The Dark Side of Startups: 5 Corrosive Co-Founder Conflicts', 4.

Having same dedication and attention to the job is impossible naturally and if there occurs an inequality between founders investments this will also lead to again conflict of interest.<sup>101</sup> Third conflict is caused by decision making process. Shah argues that if enterprisers have knowledge on an issue that they both experienced or opinions over a situation, or they do not have any experience before, there will be a conflict because of uncertainty in decision making.<sup>102</sup> In such situation, power relations may come to surface as either party wants to impose their ideas, and decisions to the issue. Shah's fourth conflict emerges when one of the enterprisers decided to leave the company. In such circumstance, financial and emotional damage happens to not only company but also to the other workers. In this process, legal actions may be taken due to previous engagements as relationship between individuals involve may worsen.<sup>103</sup> Final conflict is caused due to making excuses for failures and each founder in every company has his/her own idea on such process. The matter of closing down or staying in decline will be major conflict according to Shah, as providing unanimity is the hardest step to accomplish. This conflict may worsen the company's situation while it provides a façade for founders who would like to ignore the situation.

In another study on conflicts between enterprisers and entrepreneurs, Klabunde highlights that if an investor does not find optimal results for his/her investment he/she can terminate the relationship between entrepreneur and one of the main reasons for this is the factor of trust.<sup>104</sup> This argument also brings a perspective from power symmetry/asymmetry because capital becomes a source of management and directing the process of entrepreneurship when investor uses capital as the power, entrepreneurs may also lose their trust and enthusiasm as they may choose to use their BATNAs and termination of the business will be inevitable.

Myers argues on another significant point, as conflicts may arise due to miscalculated growing plans, which will cause essential problems during the decision making, investing, and exiting processes. Furthermore, Myers states differences between

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<sup>101</sup> Dharmesh, 'The Dark Side of Startups: 5 Corrosive Co-Founder Conflicts', 5.

<sup>102</sup> Ibid, 7.

<sup>103</sup> Ibid, 8.

<sup>104</sup> Klabunde, 'How Much Should an Inverstor the Startup Entrepreneur?',2.

venture capitalists and private equity founders. Firstly, venture capitalists may be willing to take risks than to apply traditional formulas for developing their business. Secondly, investors' differentiation may cause going out of their determined strategy, and will cause further conflicts in the relation with other investors in terms of finance, management and strategy of company. Thirdly, management of profit also refers to a problem to deal with as venture capitalists and private equity investors differentiate on that subject. Forth of all, matters outside finance and profit, still stands as important subjects which are in capable of affecting the job positively or negatively without even noticing.<sup>105</sup> Thus these issues can be transform to conflicts and worsen the progress of business established.

According to Geron, one of the most conflicted issues between enterprisers whether they are founders, investors, or entrepreneurs, is the control of the business' duration. Having investments, selling stocks or acquisition process should refer a process that every actor in the process contribute and is exposed fair conditions. In this regard, when the domination emerges due to one party in the conflict, it also occurs as economic interests' clashes.<sup>106</sup> Especially on investment may be enormously important to entrepreneur while on the other hand it will be irrelevant to investors' business. In such situations, the level of importance given to the business naturally varies and results can bring conflicts easily. Furthermore, while entrepreneurs may see their projects project in long term but for an investor short term profiting would be much preferable choice. Geron also argues multi headed companies intimidate future investors or buyers and that will be a clear sabotage for the success of the company.<sup>107</sup> Alqatawni refers to the relationship conflicts between actors and he especially states an operative relationship between parties contributes to the success of business.<sup>108</sup> Besides disagreements over business that may improve conditions when carried out appropriately, conflicts of personal relations will cause negative result on not only business but also on the performance of individuals involved.

In the concept of conflicts between entrepreneurs and enterprisers, Collewart and Fassin argue that unethical behaviors between parties cause blaming, as the business is

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<sup>105</sup> Myers, *Founder & VC Misalignment More Often Than Thought*, 8.

<sup>106</sup> Geron, *When Founders And Investors Split Over An Acquisition Offer*,10.

<sup>107</sup> Ibid, 13.

<sup>108</sup> Alqatawni, *The Relationship between VCs and Entrepreneur*.

affected and the rate of being unsuccessful has peaked.<sup>109</sup> In addition for an operative coordination and cooperation between parties, understanding and ethical reflections towards each other's approaches are essential. In this point, alongside the fact that conflict has a long term duration, especially investors' negative approaches stimulates problems and escalates the situation.<sup>110</sup> In this article, attitudes and unethical behavior are main causes as triggers of conflicts between parties as the disagreements become inevitable.<sup>111</sup> As a result of such intense conflict, authors also argue that management of conflict also influenced by the process and 'aggressiveness, destruction, strategy' may be produced as a result the situation reduces the likelihood of resolution.<sup>112</sup> Miscommunication, disconnection, negative perceptions, and further unethical behaviors produce the results of the progress while the failure of the business is a deadlock.<sup>113</sup> This study is strong in terms of how conflict process may quickly worsen, however as mentioned in the paper, the concept of ethics should be under consideration. Furthermore, a bound to culture may be established as the entrepreneurship and companies are established in institutional scale. Despite the fact that this study reveal significant findings, the understanding towards behaviors and ethical/unethical bound should be explained in detailed and much clear way.

In conflict between entrepreneurs and enterprisers, Peng et al. refer to the situation in which entrepreneurs dominantly control the duration and their aggressive operations cause faults and inadequacies in their businesses while generating insufficient plans and fallacious data.<sup>114</sup> Djik et al. continue with entrepreneurs' perspective in their article and the relationship between venture capital investors and entrepreneurs is analyzed. The article also analyses the relationship in terms of behavioral matter and focuses on the fact that 'self-interested behavior' may be the essential cause of conflict between parties as the venture loses its value gradually.<sup>115</sup> With expectations and responsibilities for having a long term relationship, the dynamics between entrepreneurs and investor may change in either

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<sup>109</sup> Collewart and Fassin, 'Conflicts between Entrepreneurs and Investors: The Impact of Perceived Unethical Behavior', 637.

<sup>110</sup> Ibid, 640

<sup>111</sup> Ibid, 641.

<sup>112</sup> Ibid, 641.

<sup>113</sup> Ibid, 642.

<sup>114</sup> Peng et al. 'Entrepreneurs as Intermediaries', 4.

<sup>115</sup> Djik et al. 'How to Create an Effective Venture Capitalist–Entrepreneur Relationship', 4.

positive or negative way. Djik et al. in this context, categorized the data in the conflict between parties as conflict of interest, psychological ownership, and use of power, available alternatives and personality traits.<sup>116</sup>

Lim and Cu mention contractual relation between entrepreneurs and enterprisers, as disagreements lead to conflicts with existence of informational asymmetry in which entrepreneurs are not willing to present their ideas and projects for the sake of keeping or attracting investments.<sup>117</sup> In this study, the fact that the relation between parties are open to conflict as such asymmetries exist while controlling and dominating the company/startup become a problem of balance of power. In this respect, it is not an unforeseen result that the success of ventures decreases. Moreover, the progress of indirect ties that are connecting through a third person will enable entrepreneurs interpret the investors and in the matter of trust, implications causes conflicts.<sup>118</sup> The article of Lim and Cu is significant in terms of evaluating relationship between parties and also referencing not only United States of Europe but also Asian countries and their entrepreneur – enterpriser relationships. This aspect of article remain crucial in keeping up with rapid changes in the global economy and the world of entrepreneurship.

Samila and Olson present another aspect in their study. Their research is based on financing ventures and the significance of finding capital in order to actualize the idea. In such situations, expectations are rising as the relation between entrepreneur and investor becomes complicated in terms of pre-, during and post investment. Authors state that the power of capital that belonged to investors imposes limitations over the venture as constraints become binding thus preventing entrepreneurs' ability to incorporate into the venture.<sup>119</sup>

One of the significant studies carried on the issue of conflicts between entrepreneurs and enterprisers is conducted by Brettel et.al. In their study, conflicts are evaluated in terms of task conflict between parties. Familiarly, one of the main reasons for conflict between parties is the angle of control by investor due to their profit seeking aims. In order to fulfill

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<sup>116</sup> Djik et al. 'How to Create an Effective Venture Capitalist–Entrepreneur Relationship', 7.

<sup>117</sup> Lim and Cu, 'The Effects of Social Networks and Contractual Characteristics', 4.

<sup>118</sup> Ibid, 6.

<sup>119</sup> Samila and Olson, 'Venture Capital, Entrepreneurship and Economic Growth', 8.



their goal, investors try to direct the management and their effort cause incompatible goals, miscommunication, differentiate in personal views. Consequently, an integrated relationship emerges in which one party may perceive negative influence. In addition, due to being in the same venture, the conflict may appear as intergroup conflict, which may cause deeper conflicts because of interdependency between parties.<sup>120</sup> In the study, relational problems, disagreement over tasks, and intergroup disagreements generate negativity on not only between parties that may escalate quickly to a conflict but also a fallacies over the operation of venture and the preference of the business.<sup>121</sup> Thus, analyzing conflicts as inevitable will be a logical deduction. In the study of Yitshaki, these factors are also included with a different angle on conflict between inventors and entrepreneurs. Yitshaki refers contractual, contextual and procedural conflicts between parties and mentions trust, cognition, cooperation and coordination between them in order to seek solution to conflicts.<sup>122</sup> In the study, conflicts are referred as being differently perceived by each party in accordance with their information, deduction, contribution and expectations from the business.<sup>123</sup> Therefore, in contractual conflicts Yitshaki presents distribution of power and it is one of the crucial elements in solving post investment conflicts.<sup>124</sup> Decision making and controlling the management are vital in the success of venture as their disagreement will quickly transform to failure of business. In the contextual conflicts between parties Yitshaki argues that uncertainty in the context of roles will cause further problems that are strategically significant. In the procedural conflicts, contractual and contextual reasons align with concepts such as having trust, recognition and confident to each other and add interpersonal aspect next to intergroup conflict.<sup>125</sup>

The study of Zacbarakis et al. also provides a particular frame in which intragroup conflict triggers intergroup conflict as the relationship between enterprisers and entrepreneurs will be affected by inefficiencies between each within itself with a

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<sup>120</sup> Brettel et al. 'The Entrepreneur's Perception in the Entrepreneur – VCF Relationship', 174.

<sup>121</sup> Ibid, 177.

<sup>122</sup> Yitshaki, 'Venture Capitalist- Entrepreneur Conflicts', 269.

<sup>123</sup> Ibid, 264.

<sup>124</sup> Ibid, 269.

<sup>125</sup> Ibid, 270.

contribution of incompatible goals, different strategies and converse decision making processes.<sup>126</sup>

Studies that have been carried out on the conflict between parties highlight many element for further analysis. Even though these studies are carried out by other disciplines such as sociology, psychology, or economy, conflict analysis and resolution, as a discipline becomes a roof under which collected information, while contributing to the resolution of the problem. Firstly, conflict of interest between parties is to be based on Maslow's Hierarchy of Needs Theory as both parties after guaranteed the formation of venture want more for their share and try to dominate by using their power which may be capital or information, technology or innovation. Second of all, the relative deprivation theory by Gurr may be referred most of the time as entrepreneurs' expectations are not met or are not considered as significant as the investors'. Thirdly, in such radical situation, Best Alternative to a Negotiated Agreement may provide an exit for both entrepreneur and investor or with also other cases of founder/investor, investor/investor, especially when incompatible goals and variable strategies emerge between parties and the resolution will not provide the resolution for one or both parties.

In such circumstance, the power symmetry or asymmetry may be excluded but most of the time, the capital for investor and the idea for the entrepreneur are reflections of the power they hold in their positions. In this point, it is crucial to establish the fact that informational asymmetry is also vital as it directly influences the trust and recognition between parties. In conflict analysis and resolution, these concepts also are involved in intragroup and intergroup conflicts, while conflict mapping will be essential to frame resolution. In the process, negotiations are also part of the conflict between entrepreneurs and enterprisers. Even having a distributive negotiation, that entails a zero sum result for parties or having an integrative negotiation, in which parties have mostly compatible goals, will dictate the phase of duration of conflicts. Therefore, Conflict Analysis and Resolution and related concepts will be used in the analysis of cases. The entrepreneurs in Turkey, with its diverse actors and spheres of influence, will be under consideration with a composite study context.

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<sup>126</sup> Zackharakis et al., 'Conflict Between the VC and Entrepreneurs', 113.

## CHAPTER 4 ENTREPRENEURSHIP IN TURKEY

### 4.1 ENTREPRENEURSHIP IN TURKEY

Entrepreneurship and activities of entrepreneurs set standards for economic possibilities and development maps for a country. With business establishment and generating further possibilities alongside innovative works, entrepreneurship becomes a part of economic and social texture of a country. Therefore, analyzing entrepreneurship in Turkey presents developments in not only economy but also social scenes whereas the concept of entrepreneurship has settled into Turkey's standards. In 2015, Turkey has a population of 76, 1 million, while per capita is 18,574USD and the projected growth rate is 4%.<sup>127</sup> This potential becomes a promising picture for Turkey's development and the economic growth sets the tone for entrepreneurship. In this sense, looking into entrepreneurship context in Turkey will provide a sense of economic, social and cultural changes as the beginning of entrepreneurship journey extends to 1980s. The inward-oriented industrialization model, which regulates the trade, exports and imports in Turkey strictly and was ended by January 24<sup>th</sup> Decisions of 44<sup>th</sup> government. As a result, Turkish economy renewed applications for business and opened the way for further developments by entrepreneurs who was willing to risk their capital in search for profits.

Therefore, gradually the concept of entrepreneurship and being an entrepreneur have been acknowledged by the population. In the study carried out by Bozkurt et al., entrepreneurship reflects two functions as economic and social. In economic functions of entrepreneurship, preventing unemployment by generating positions, accelerating economic growth, providing possibilities for new research interests, decreasing the difference between regional developments are aimed, while social functions provide a framework for innovations for society, generating an innovative phase and introducing concepts of risk-taking, leading and innovating to the society.<sup>128</sup> In this way, entrepreneurship in Turkey and its functions on economic and social areas will frame the analysis of system. To be able to

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<sup>127</sup> OECD, Data on Turkey.

<sup>128</sup> Bozkurt et al., *Türkiye'de Girişimciliğin Gelişimi*, 235.

study in detail, recent reports of Global Entrepreneurship Monitor (GEM), which has been launched by a partnership of London Business School and Babson College in 1999 and has provided annual reports on global entrepreneurship since then, and the Entrepreneur of the Year (EY), which has been initiated by Ernst and Young Global Limited and selects the entrepreneur of the year annually and publish reports on related areas. Two sources provide annual information on entrepreneurship and being able to reach current data will render an up to date analysis of entrepreneurship activities in Turkey in comparison to other countries and provides data in global criteria. In the report of EY that was published in 2013, Turkey has been analyzed within G20 countries of which organizations are constituted by countries as ‘Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Russia, Saudi Arabia, South Africa, Turkey, United Kingdom, United States and European Union presenting two of the third world’s population, eighty five percentage of global gross domestic product and over seventy five percent of global trade’.<sup>129</sup>

This wide perspective will provide a clear sense of the place of Turkey with its development in entrepreneurship. According to the report, Turkey has provided a developing base for entrepreneurial activities, while its ecosystem, which refers to a combination of activities and studies on entrepreneurship in Turkey, is promising but underdeveloped. Therefore, even Turkish entrepreneurship draws an improving picture, the necessities and finding solutions for current problems still remark the priority of the system. According to the same report, Turkey has lower levels in comparison to G20 countries in selected areas, which are ‘education and training, access to funding, and coordinated support’ while higher level in the areas of tax and regulation as presenting similar level in entrepreneurship culture.<sup>130</sup> In the report, in the category of education and training Turkey is placed sixth with 0.8% gross domestic product (GDP) and spending on research and development, while the 1.6% is the average of other countries.<sup>131</sup> In access to funding Turkey has a percentage of 37,7% in finding domestic sources, on the other hand average of G20 countries is 99 percentage in years between 2008 and 2010. Another

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<sup>129</sup> G20, ‘G20 Members’, 2.

<sup>130</sup> EY, ‘The Power of Three’, 2.

<sup>131</sup> Ibid, 3.

problematic area is the support from various branches including public and private sectors as Turkey has seventh ranking. The support is problematic due to the inhibition and inabilities of incubation centers that provide financial and structure support to entrepreneurs and presents the first step of entrepreneurship along within startup programs.<sup>132</sup> In the area of tax and regulation EY report indicates that setting up an initiation is the highest and governmental policies are making easier with taxing system. In entrepreneurship the pre-business period of entrepreneurial activity remains as a pro motive process and Turkish entrepreneurship is heading in this area along with G20 countries. In the conditions of entrepreneurship and culture, Turkey has two main perspectives. At the one hand, there is a prominent support for individuals who are courage to having risks and gaining profit in their businesses, but on the other hand, the fear of failure has an immerse effect. In the analysis of report, this situation is acknowledged by the necessity of improving tolerance and generating a concept for entrepreneurship as a form of career choice.<sup>133</sup>

In conclusion, the EY Report of 2013 presents a framework which the problematic and promising areas are analyzed with a global understanding. The comparison within G20 countries enables a future perspective and the importance is generated an entrepreneurship in Turkey. It is the fact that entrepreneurial activities have become integral parts of economy and social aspect of Turkey, thus, the analysis and findings of the report bring many crucial points to make attention to the entrepreneurship.

Another significant study carried out by EY in 2014, Turkey has been placed in a global challenge and analyzed again within rankings of G20 countries. With the scope on youth unemployment, Turkey with its young population have to be better in providing jobs and benefit from its growing economy. The incentives play a major role in overcoming negativities in improving entrepreneurship and in comparison to other countries. Turkey has renewed in the category which refers to advancing economic conditions with low quality on jobs provided for young population.<sup>134</sup>

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<sup>132</sup> EY, 'The Power of Three', 8.

<sup>133</sup> Ibid, 9.

<sup>134</sup> EY, 'Avoiding the Lost Generation',15.

Turkey's entrepreneurship capacities are also analyzed by GEM in years of 2010, 2012, and 2013 respectively and Turkey began to involve in GEM reports since 2006.<sup>135</sup> From that date, Turkish characteristics on entrepreneurial activities have been started to analyzed. The report of GEM carried out specifically on Turkey in 2010 by Esra Karadeniz indicates that the main analysis of entrepreneurial activity is provided by Total Entrepreneurship Activity (TEA).<sup>136</sup> Accordingly, Turkey holds its promising perspective with also increasing business ownership and endurance of startups or early stage entrepreneurs to further progress.<sup>137</sup> The significance of 2010 report is that with the help of statistics from 2008, the improvement in entrepreneurship in Turkey becomes visible and lays the foundation for further investigation. To have an extended comparison of current activities in years 2012 to 2013, the definitions of categories are essential.

Beside TEA, categories consist of growth expectation early stage entrepreneurial activity, high status successful entrepreneurship, entrepreneurs as desirable career choice, know startup entrepreneur rate, entrepreneurial initiatives and fear of failure rate. These categories are also referring to the similar concepts in EY Reports. Thus, TEA of Turkey was 12, 2 in 2012 and 10 in 2013. Growth expectation in early stage entrepreneurial activity was 43 in 2012 and 59 in 2013. Successful entrepreneurship rates were 76 and 74 in 2012, and 2013, respectively. Startup Entrepreneurship rate was 34 in 2012 and 32 in 2013, as selecting entrepreneurship as a career in Turkey was 67 percentage in 2012 and 64 in 2013. Entrepreneurial intention was at the level of 14, 7 in 2012 as 28, 1 in 2013 and finally the fear of failure was 30 percentage in both 2012 and 2013.<sup>138</sup> These statistics of Turkey's entrepreneurial activities remain crucial in understanding the system established in Turkey as some areas have been developed but in some areas necessary cautions had to be taken. In 2013, GEM's Global Report states Turkey as one of the countries which has efficiency driven economies.<sup>139</sup> Thereby, indicators on entrepreneurship reflects economic and social activities. In order to understand Turkey's dynamics on entrepreneurship this study will examine Turkish ecosystem and will look at the findings on two major studies.

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<sup>135</sup> Karadeniz, 'The Global Entrepreneurship Monitor (GEM)', 11.

<sup>136</sup> Ibid, 12.

<sup>137</sup> Ibid, 13.

<sup>138</sup> Ibid, 13.

<sup>139</sup> Amaros and Bosma, *2013 Global Report*, 25.

## 4.2. ENTREPRENEURSHIP ECOSYSTEM IN TURKEY

Ecosystem is a word which has been used as a metaphor in order to define entrepreneurship as a strategy in economic activities.<sup>140</sup> The term implies an environment for generating, developing and sustaining entrepreneurship activities with the involvement of entrepreneurs, investors, institutions, organizations. In other words, actors of the ecosystem and the areas of the generated environment provide the phase of entrepreneurship in a country. In many aspects, entrepreneurship is tied to economic and social development of a society, thereby the development of actors and the success of their activities resulting in entrepreneurial businesses, prepares future growth and improvement. According to Isenberg, ecosystems reserves a high profile of entrepreneurship in cultural understanding, implementation of policies, assigning appropriate financial sources and programs on necessary labor for entrepreneurship, costumer feedbacks for early stage innovations and finally organizational and institutional support to entrepreneurship.<sup>141</sup>

In this sense, Turkish entrepreneurship may embrace an ecosystem which includes factors stated above as well as other national and global goals and plans in order to be ranked in successful initiatives. In this respect, for ecosystem of entrepreneurship in Turkey the Tenth Development Plan by Ministry of Development which was published in July 2014 will be a leading source as it consists of progress to be made between years of 2014-2018. Another significant source, for analysis Turkish ecosystem in this paper will be Evaluation Report of National Innovation Initiative by Forum of Competition (REF) which has been established by the collaboration of Sabancı University and Turkish Industrialists' and Businessmen' Association (TUSIAD) for the period between 2006 and 2013. Due to the fact that the entrepreneurial activities are integrated and dependent each other while the success and failures of actors influence the perception, having a strong ecosystem is crucial. Thus, analysis and findings of both reports will be instructive and essential to highlight elements of ecosystem of Turkish entrepreneurship.

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<sup>140</sup> Isenberg, What an Entrepreneurship Ecosystem Actually Is, 3.

<sup>141</sup> Financial Times, *Definition of Entrepreneurial Ecosystem*, 2.

#### 4.2.1 Factors in the Ecosystem of Turkey

Regarding the affections of ecosystem on entrepreneurial activities, it also categorizes and organizes various areas in entrepreneurship. Thus, the development of entrepreneurship in Turkey can be visible through factors that are included in ecosystem being an entrepreneur necessitates a broad framework that is established within explanations of their contribution to Turkey's entrepreneurial activities.

According to the Tenth Development Plan by Ministry of Development, there are six main factors which constitute Turkey's ecosystem. These factors are integrated to each other and each factor advances a branch of entrepreneurial activities in Turkey can be divided into six main headings. Mainly, headings were established by Entrepreneurship Indicators Programme (EIP). EIP is a programme that is belonged to OECD and Eurostat and aims to have an organized data sets for the informational background of entrepreneurship. According to EIP, headings, which the Ministry of Development uses in the Tenth Development Plan, are essential categories to present information about the actors in the ecosystems and it is established that these headings are recognized by international settings.<sup>142</sup> In this context, first one will be the legal framework in which entrepreneurs' responsibilities towards establishing business. This factor is crucial due to the fact that it corresponds necessities by Turkish law in order to foliate and it diverts entrepreneurs to rightful application of statues of law branches such as enforcement and bankruptcy code, tax system and social security system.<sup>143</sup> Furthermore, in a situation where incentives and facilities from governmental institutions matter in terms of the success of entrepreneurs and enterprisers, the legal framework preserves its significance. According to EY Report on Turkey in 2013, even though Turkish government has high levels of implication of investives with growing support programs such as 'exemptions from VAT and customs duties, corporate tax reductions, income tax without allowance, social security support and land allocation' Turkish entrepreneurs are still searching for

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<sup>142</sup> Ministry of Development, *The Tenth Development Plan*, 7.

<sup>143</sup> *Ibid*, 7.



more incentives that will change the balance in favor of entrepreneurs.<sup>144</sup> For example, according to EY Report, in Turkey total time that spent on tax regulations was 223 hours and it was below G20's average. On the other hand, indirect taxes which are collected by tax authorities has been still higher than G20 average and with number of 18.<sup>145</sup> While legal framework leads factors of ecosystem, second factor, market conditions, remains focal in terms of reaching to capital. According to the Tenth Development Plan, market conditions presents competition statues, public procurement legislation with entrance to domestic and international markets.<sup>146</sup> Significantly, the economic conditions and accessibility to market designate the duration in entrepreneurship as well as markets' quality.<sup>147</sup> From this point, third factor, access to finance, collects main features for a successful and operative ecosystem while including bullet points such as angel investors and their investments, private equities, venture funds. Access to finance is one of the main factors for entrepreneurs because in terms of time, it is only choice for activities to start and to proceed. In other words, to be able to accomplish establishment of businesses and maintain the efforts spent is in close relation to accessibility of finance in entrepreneurship. The Forth factor is informational formation. This factor is improving and constituting entrepreneurship at the same time because the investments that funded development projects, research and development facilities as well as technology forward to the concept of innovation.

In the ecosystem of Turkey, as well as other countries, innovation integrates with entrepreneurship and highlight the interdependence between two concepts as technological investments and developments will bring further idea that will also made an impact on societies' lives. In this respect, innovation can be defined as a method for generating change and provide ways for alternative creations for implementing better conditions. In the report of REF, innovation has four categories; innovation of product, innovation of process, innovation of marketing and innovation of organization.<sup>148</sup> Taking entrepreneurship into account in these categories, innovation is manifested as the inherent

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<sup>144</sup> EY, 'The Power of Three', 17.

<sup>145</sup> Ibid, 17.

<sup>146</sup> Kalkınma Bakanlığı, *Onuncu Kalkınma Raporu*, 7.

<sup>147</sup> Ibid, 8.

<sup>148</sup> REF, *Ulusal İnovasyon Girişimi 2006-2013 Dönemi Değerlendirme Raporu*, 10.

part of the entrepreneurship process. Fifth factor in the ecosystem focuses on education and training of entrepreneurs.<sup>149</sup> Providing a background full of information and competencies to entrepreneurs is an important factor in ecosystem as it will promote perception of entrepreneurs and entrepreneurship as the sixth factor is considering about culture.<sup>150</sup> As an ecosystem refers to parts of a nation's entrepreneurial activities, the perception of entrepreneurs, the validation from society and cultural specifications will generate a difference and be effective on the success of ecosystem. In this context, all factors should be established as crucial in the analysis of entrepreneurship in Turkey as their interactive relation lays the base for not only to developments but also to deadlocks in which conflicts occur.

#### 4.2.2 Actors in Ecosystems in Turkey

Entrepreneurship can be considered a set of activities by individuals who are in search for having profits, making innovations and improving the existing system for better. In other words, the ecosystem of entrepreneurship has been led by entrepreneurs and their activities. In this respect, the quality of works and studies done on entrepreneurship is determined by actors in the ecosystem. For Turkey, as in every country, entrepreneurship has its own patterns, while these features are generated by various actors.

The influence of actors in ecosystem can be highlighted by two main categorization as public and private actors. Public actors can also be divided into two categories as ministries and ministerial institutions. There are three main ministries in Turkey, which direct the path of entrepreneurship by making legislative enforcements and establishing regulations. Thus, Ministry of Economy, Ministry of Development and Ministry of Science, Industry and Technology reflect governmental implications on entrepreneurship ecosystem in Turkey. Beside cooperation and coordination with other entities, ministries are main decision makers in the development of entrepreneurship in Turkey. Considering legal

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<sup>149</sup> Ibid, 11.

<sup>150</sup> Ibid, 11.

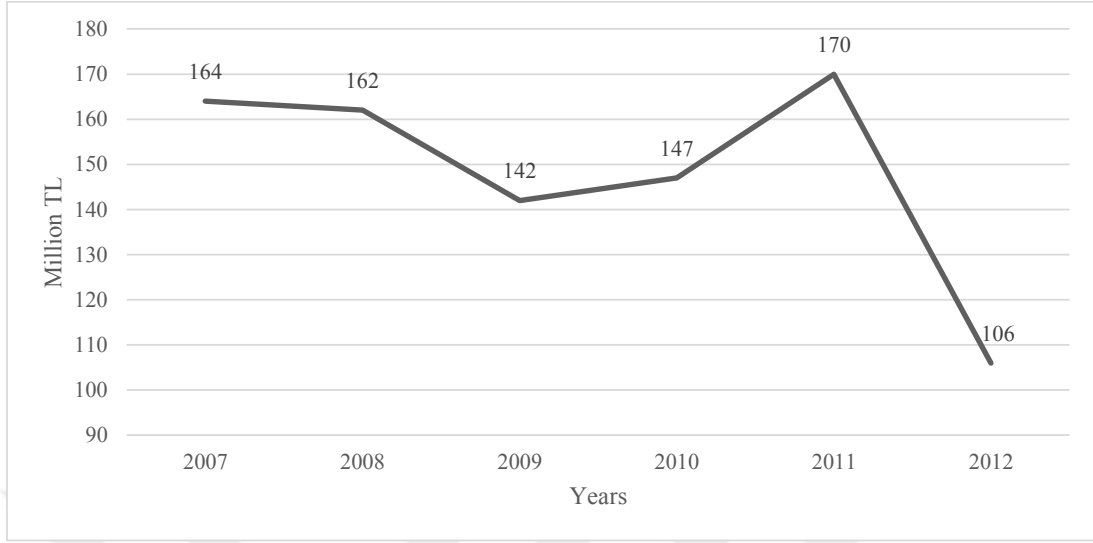
framework and market conditions, ministerial regulations remain crucial and the role of government presents the importance of making investments on entrepreneurship as it is a strategy for creating employment, economic and social development, national and international improvement.

Thus, applications by ministries influence other actors and their capabilities in the ecosystem. Related actors in public are institutions related to ministries such as Small and Medium Industry Development Organization (KOSGEB), Scientific and Technological Research Council of Turkey (TÜBİTAK) and Development Agencies. The reason of this categorization is framing major actors firstly and then establishing their relations influence areas on other organizations. For example, KOSGEB, an institution under the Ministry of Science, Industry and Technology, constitutes and in relation with many various institution in diverse study areas, such as Economic Policy Research Foundation of Turkey (TEPAV), Technology Development Foundation of Turkey (TTGV), Technology Development Center (TEKMER) and Business Incubator (ISGEM) under its support for development entrepreneurship and new entrepreneurs.

The importance of these actors' operations on the development of Turkish ecosystem underlines statistics in the report of Ministry of Development. For example, in capital support given to entrepreneurs and small and medium sized enterprises (SMEs) between years of 2007 and 2012, was in total of 10. 24 billion Turkish lira, while KOSGEB provided 137. 2 million Turkish lira to entrepreneurs and SMEs in between years of 2007 and 2010. In 2011, 177. 5 million Turkish lira was provided to entrepreneurs for one year only.<sup>151</sup> In 2012, 106 million Turkish lira was given and the amount indicates the fact that even incentives present an advanced support by public institutions to entrepreneurs was provided, still public sector should develop its support and should increase activities to satisfy the needs of ecosystem.

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<sup>151</sup> Kalkınma Bakanlığı, *Onuncu Kalkınma Raporu*, 34.



*Table 1: Capital Support Given to Entrepreneurs by KOSGEB  
(Data from Tenth Development Plan)*

In the Tenth Development Plan, weaknesses of Turkish ecosystem mainly caused by inhabitations from public sector. The insufficient applications in legal enforcements, regional economies, inabilities in forcing obligations resulted from contracts, costly transactions and deficiencies in coordination and cooperation between public institutions which are responsible for providing financial resources are bullet indicators regarding existence of barriers on the development of the ecosystem.<sup>152</sup>

Other main category of the ecosystem is private actors. Beside governmental institutions and related organizations, private sector establishes its influential actors which hold significant position in the application of financial, social, educational developments in the ecosystem. In this respect, private actors can be divided into eight categories; non-governmental organizations, angel investors and mentors, venture capitalists, incubators, universities, clubs and associations, private equity firms and techno parks. Non-governmental organizations such as Turkish Union of Chambers and Commodity Exchanges (TOBB)' Board of Young Entrepreneurs and Board of Women Entrepreneurs are fundamental examples and their exercise are devoted to development of

<sup>152</sup> Kalkınma Bakanlığı, *Onuncu Kalkınma Raporu*, 83.

entrepreneurship in Turkey from the beginning and with equal and rightful conditions. Universities can be referred as examples of private actors, and their formations varies from project departments, technology offices to research development centers and student unions. As universities have become forms of bridges in coordination and support for educational and financial opportunities, they also embody incubator centers. Incubators, as one of the private actors, play central role in stimulate entrepreneurs' ideas and innovations as they present appropriate form of support to projects and catalyze the construction phase. In Turkey, there are nearly twenty incubation centers as the number increases every day and every development. Techno parks are also significant in term of generating work fields for entrepreneurs and SMEs as strategically providing development opportunities, financial supports and study areas. In Turkish ecosystem, there are thirty two actively working techno parks and in total the number reaches 43 under the name of Area of Technology Development.<sup>153</sup>

In entrepreneurship in Turkey, work experiences of individuals are also substantial in the formation of ecosystem. Business establishments by solely individuals' ideas and projects necessitate further regulations and build a map for new arrivals in entrepreneurship. Therefore, mentors, who are entrepreneurs or investors, and have earned experience through these processes, are major contributors to the development of entrepreneurship. Furthermore, their success and images shape the perception of an entrepreneur, besides being a business person, in the society. In this respect, as contributors mentors have capability to influence entrepreneurial activities. In Turkey, mainly in the last decade, many businessmen have appeared as entrepreneurs as they escalate with the success of their business. Besides their roles of being a mentor, their investments have generated the term business angels or angel investors in the meaning of they are able to direct their capital on entrepreneurs, whose ideas, projects, and businesses they put value in. In other words, with their financial power, they take risks and seek profit while mentoring the entrepreneur and have a say on the processes. In Turkey there are many associations in relation with mentors and angel investors. Currently, Turkish ecosystem has two hundred and forty one angel investors with certificates from the Undersecretariat of Treasury under the Prime Ministry. Since 2013, having a certificate has been possible by

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<sup>153</sup> Teknoloji Geliştirme Bölgeleri Derneği, *Türkiye'de Teknoparklar*.

joining the program named Individual Contribution Capital (BKS) and has been the subject of legal regulations. In this context, it is significant to highlight the integrity in the ecosystem and how each actor does affects the other and the success of entrepreneurial activities in Turkey.

Private equity and venture capital firms also refer non-public actors in the ecosystem. Private equity means investing capital to a firm which will provide further development of invested firm and having profit at the end of investment. In other saying, aim is to invest for development and to exit for gaining profit. Private equity firms mainly operates four steps, raising capital to a firm, having an active capital system in the firm, developing assets that the firm possess and making profit via selling the firm lucratively.<sup>154</sup> In this sense, it brings a developed perspective to entrepreneurship as it leverages for better. The definition of venture capital may seem similar but there are fundamental differences between venture capital and private equity. In the venture capital, investors who possess capital or wealth invest in firms which are to be seen as either failure or success in long term phase. In this respect, according to Wang, venture capital presents a case with ‘bottom up creation’, whilst private equity refers to ‘top-down optimization’.<sup>155</sup> Consequently, actors in Turkish ecosystem define the direction most of the time, while their choices, activities, investments and exits elaborates the future of Turkish entrepreneurship.

#### 4.3 CONFLICTS IN ENTREPRENEURSHIP ECOSYSTEM OF TURKEY

This study is designed and aimed to explain conflicts and reasons of conflicts between actors in the ecosystem of entrepreneurship of Turkey. As time progressed in Turkey’s agenda, the importance given to entrepreneurship has gradually increased and responsibilities of actors in the development of ecosystem have become significant in order to have a successfully operative ecosystem Entrepreneurship has featured in economic and social development in Turkey as the concept has been recognized by society. Entrepreneurs

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<sup>154</sup> Private Equity Interviews, *The Official Guide*.

<sup>155</sup> Hwang, *What's The Difference Between Private Equity And Venture Capital*, 2.

have started to seek business opportunities for making profit while enterprisers have changed their attitudes towards risk taking and invest for further investments. As entrepreneurship develops, innovation has grown as an integral part that support technological advancement and improve current conditions for better. In this sense, the significance of the concept of entrepreneurship has become a subject to study and the problems within ecosystem are needed to be analyzed.

In order to make a comprehensive analysis of conflict between actors, three categories will be established. First of all, main factors in ecosystem will be focused as bullet points for presenting conflicts in the ecosystem. Within each factor, Turkish entrepreneurship will be under consideration and problems will be established in detail. Secondly, due to understanding of problems between actors, analysis of entrepreneurs and enterprisers will be established as the ecosystem reflects their features. Finally, conflicts between enterprisers will be explained with giving examples of cases.

## **CHAPTER 5 CASE STUDY**

### **5.1 CASE STUDY OF CONFLICTS BETWEEN ENTREPRENEURS AND ENTERPRISERS IN TURKEY**

Development of entrepreneurship in Turkey brings further studies in the form of reports, articles, books that are published by national and international public and private institutions such as development plans or evaluations. Regarding the significance of having a successful ecosystem that develops economic and social structure of Turkey, level of entrepreneurial activities is tried to be maintained in the same level, with countries such as United States, United Kingdom, Canada, Russia, Israel, as many international organizations, such as World Bank, United Nations, organizations related to entrepreneurial activities, they can be referred the most successful countries in categories of access to funding, having credits, incentives for tax and legal system, mobility support, encouragement for entrepreneurs and building an ecosystem. In this context, it should be highlighted that in Turkey there is a need for upward of analysis on the conflicts between actors in the ecosystem as their activities' designate the phase of advancements for entrepreneurship. Thus, this study examines reasons for conflicts and potential conflicts that become deterrents for actors in the ecosystem. Analyzing the conflicts will present an important map for future studies in accordance with providing answers to questions of why do conflicts occur between entrepreneurs and enterprisers and what are current conflicts between actors in the Turkey's ecosystem.

### **5.2 METHODOLOGY**

#### **5.2.1 Methods**

This study uses qualitative method on discovering the conflicts between entrepreneurs and enterprisers in Turkey. The reason of selection qualitative method originates from the conflict itself which is an information owned by actors in the ecosystem. Also, due to the nature of answers that are expected and surrounded with



experience, information and evaluations about businesses and individuals, who participate, qualitative data is obtained.

In the Conflict Analysis and Resolution, qualitative method and data presents a form of conflict narrative, which the date deducted can be evaluated. As understanding of how do conflicts origin, emerge, proceed and resulted. Moreover, having narratives enables multi-sided perspectives on the issues such as conflicts of investment and negotiations. Consequently, qualitative method is selected in terms of having a productive analysis while contributing to the studies made on entrepreneurship in Turkey.

### 5.2.2 Sample Selection

In current years, Turkish entrepreneurship has been developed by many endeavors such as establishing private institutions, the opening of the stock market, full-scale organizations, seminars, conferences in almost every city in Turkey, classes and major opening in universities and educational institutions, initiating incubation centers, techno parks, changes in legal framework, increase in government incentives, million dollar investments from angel investors as governmental institutions provide million dollar development funds to research projects with increasing number of licensed investors and advancing venture capitals to Anatolian businessmen in Turkey.<sup>156</sup> Furthermore, organizations for supporting entrepreneurships in Turkey such as panels, forums, grants, competitions by institutions, which are ranged from universities to private banks, have established a strong network in the ecosystem and pave the way for future plans in Turkish entrepreneurship. KOSGEB's Strategy of Entrepreneurship and Action Plan made definitions and started to actualize goals for 2014 and 2016. In addition, the Tenth Development Plan by the Ministry of Development sets goals for the years between 2014 and 2018, while the plan entails aims to be realized until 2023. As regulations made for attracting foreign investors to Turkish ecosystem, associations have been established for

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<sup>156</sup> Sarpaş, Girişimcilikte 2014 Yılı Türkiye Değerlendirmesi, 2.

further connections to international developments.<sup>157</sup> In this respect, qualitative data in this study was collected from entrepreneurs and enterprisers who have been closely related to current progress of the development of ecosystem in Turkey. By means of this sampling, a total of fifteen individuals, who are either entrepreneur or enterprisers or both at the same time, were asked to explain the conflicts between actors in the ecosystem and the duration given was two weeks in order to have a rapid feedback process and to complete analysis.

### 5.2.3 Data Collection

In data collection, firstly questions were prepared. The aim in preparing these questions was to understand basic information and assessments were given by participants, who received questions and accepted to answer them. In this context, six questions were prepared and asked to participants. First question was ‘What does it mean to you to be an entrepreneur/ enterpriser in Turkey considering advantages and disadvantages?’ The aim in asking this question was the need for highlighting participants’ categorization of themselves and have an understanding of ecosystem in Turkey. Second question was ‘What are the conflicts between entrepreneur and enterpriser?’ Regarding the research scope of this paper, this question was chosen in order to have a direct and a simple answer without giving any frames or directions and tried to acquire the first answer that came to their minds. Regarding the participants’ profile which was consisted of both entrepreneurs and investors, direct question was selected in order to have an explanation. Third question was ‘Have you ever encountered such conflicts?’ and the aim of asking was to learn from their unique experiences. Again, the profile of participants ranged from young entrepreneurs to experienced investors, thus after their choice of selecting either yes or no as an answer, they encountered forth question, which was ‘Can you tell about the origin, result and if happened the duration of resolution process of the conflict?’ Fifth question was a combined one; ‘Is there any precautions to take in order to prevent such conflicts?’ and ‘What is the most important factor in the resolution of the conflict?’ In the aftermath of experiences that

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<sup>157</sup> Sarpaş, Girişimcilikte 2014 Yılı Türkiye Değerlendirmesi, 9.

told by the participants, sixth and final question was ‘which firms do you know that are closed down or saved in the aftermath of conflict between entrepreneurs and enterprisers in Turkey and in world?’ This question aimed to collect further information which participants possess and perceive about Turkey and other ecosystems, and which examples they would take for an example. Consequently, questions are designed to have detailed information and data for this study.

For the second step in methods for data collection, semi-structured interview was selected. Semi structure interviews are among the most productive methods in qualitative studies as they enable the discovery of perceptions, evaluations, opinions and expectations of participants and their complex issues.<sup>158</sup> Furthermore, it disables strict directions of formal interview in which questions direct the respondent and prevent improvisation.<sup>159</sup> Semi structured interview also presents the importance of meaning of what respondents’ words rather than their definition and ranking. In other words, this type of interview derives clarity and comfort for not only to participants but also to interviews. Thus, among fifteen individuals who were sent questions, three of them preferred to have their interview face to face with a consideration of explaining their thoughts better face to face than writing answers. Hence, semi-structured interview ensured freedom of express to respondents while generating voice for related issues that may contribute interviewer’s study alongside observation, and data for qualitative study.<sup>160</sup> In interviews with these individuals, questions prepared using an online form were still presented as guidelines and the direction of interviews leaded by the frame of these questions with additives from experiences and current situation in Turkey’s ecosystem.

There are significant reasons for sending an online form and conducting data collection via form. First of all, individuals, whose questions were sent, have very busy schedules. Being aware of such situation, the possibility of organizing face to face interviews with many individuals seemed as not efficient for the study. Also, the time problem and by giving an opportunity to them as they arrange their time for answering questions was preferred, which has been much better option than taking their time and try

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<sup>158</sup> Barribal and While, ‘Collecting Data Using a Semi-Structured Interview’, 330.

<sup>159</sup> Ibid, 330.

<sup>160</sup> The Robert Wood Johnson Foundation, ‘Semi Structured Interview’.

to organize a meeting while decreasing the chance of having answers. Secondly, questions were prepared as result-oriented, and aim was to use their answers as bullet points in the analysis of cases. Considering general condition of Turkey's entrepreneurship ecosystem, these questions paved the way for valuable information at the first hand. Last but not least, form enabled a written response from all participants which removes any doubt on different usage of their private answers. In this respect, sending an online form to respondents have benefited the study and in terms of interviews, conducting face to face meetings was improving condition for the quality of questions and the data received as they ensure further information and a comparison.

#### 5.2.4 Design of the Study

This study is aimed to explain conflicts between entrepreneurs and enterprisers in Turkey and in doing so dependent variables emerge as reasons of conflicts and conflicts while independent variables come to the surface as the positions of participants, their experiences that influence their evaluations as well as structure of the ecosystem in Turkey. Furthermore, their recognition as entrepreneurs or investors shape their answers to the questions and their reasons for conflicts. In a qualitative study, it should be significant division that is to make between dependent variable which the study is researching and the independent variable which is not subject to change such as participants' positions, investments they have made, their job status, their experiences and conditions in Turkey.

In the analysis, online forms and semi- structure interviews are carried out for evaluations that would be more appropriate and accurate than theoretical basis. In this sense, this study will combine conflict analysis and resolution with a current phenomenon in Turkey and will analyze conflicts within the ecosystem.

### 5.2.5 Data Analysis

There are various methods to carry an analysis of data. For a multifaceted analysis, the appropriate method should be selected and differences and unique features of each conflict should be under consideration. In this sense, there are various tools to be used. The 'Stages of Conflict' tool presents an organized schema for analysis as it categorizes the elements of conflict. The Timeline tool is a tool for clarifying the historical development of a conflict that present ways for resolution while understanding the conditions of periods. The Conflict Tree model represents a conflict which has a progress from latent conflict to its resolution. In order to understand the origin of process and impacts of complex conflicts this tool is beneficial. The ABC Triangle may be used in order to identify attitudes, behaviors and context within conflict and provide a detailed analysis of actors and their interests. The Onion model refers to a model within three dimensions of needs, interests and positions, respectively. The information from three dimensions is focal and crucial in order to achieve a compatible resolution.

Another tool is the Conflict Mapping, in which generating a map for conflicts with multiple actors and relationships they built as well as elements that influence progress and duration of conflict. Force Field Analysis may be used and as pillars and pyramid tools, these methods are helpful in terms of generating a bigger picture for showing relations and ties between actors in the conflict and their impact on each other and areas as that are affected.<sup>161</sup> In the case of violent conflicts tools can be integrative. For example, Needs-Fears Mapping is established on actors in the conflicts whose needs and fears shape their options accordingly. In Conflict Perspective Analysis mediation method is on the focus as different perspectives of actors are tried to be analyzed. Multi- Casual Role Model focuses on triggering situations, initial reasons, motives or catalyzers in conflicts while dynamics of the conflict are established. Escalation Model is a total presenting intervention for escalation of the conflict. Finally, the Conflict Wheel emerge as a tool for all mentioned methods in which six sections consists of each factor and actor in the conflict.<sup>162</sup> Thus, in this study analysis will be made by the Conflict Wheel. The categorization of tool entails a

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<sup>161</sup> Fisher et al., *Working with Conflict*.

<sup>162</sup> Simon and Rychard, 'Conflict Analysis Tools', 1.

detailed analysis of the situation in entrepreneurship in Turkey considering various actors and diversity of factors in the ecosystem.

The Conflict Wheel is the analysis tool presents six sections and first section refers actors and relations in the conflict. This section remains significant in terms of determining parties who are conflicted with each other and knowing their goals, strategies, demands and goals is crucial. Second section is the issue in the conflict for which parties experience conflict. Third section refers dynamics in the conflict as there are various elements beside parties' activities interests and goals. Forth section is the context and structures which compromise other factors in relation with conflict. Fifth section is the causation, the reason why does conflict emerge, and is important to understand each party's aim, and accordingly the direction of the conflict. Sixth section provides a framework for achieving resolution and what should be done in the process regarding the analysis of all sections clarifying the conflict.<sup>163</sup>

### 5.3 CASES

#### 5.3.1 Conflict between Entrepreneurs and Enterprisers

Data that is used by this study, received from online form that was sent to participants while semi-structured interviews also carried out. Participants consist of four investors, three advisors to the chairmen or to the chief executive officers in private equity of venture capital firms and five entrepreneurs who accepted to answer online questions and who agreed to have interview. In this respect, the portfolio of participants represents a mixture of Turkish ecosystem. To have an appropriate summary of cases and understanding answers of participants in the concept of entrepreneurship in Turkey, their answers will be presented through questions asked, respectively.

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<sup>163</sup> Ibid, 3.

*What does it mean to you to be an entrepreneur/enterpriser in Turkey, considering advantages and disadvantages?*

This question raised lots of opinions about bringing an entrepreneur/investor in Turkey both positively and negatively. Positively, participants mentioned improving market conditions and youth population in Turkey, having social responsibilities within projects, being a part of the current improving ecosystem, the chance of gaining high profits and benefits of established networks such as family and friends. In addition, one participant indicated the importance of ethics in business and argued each actor in the ecosystem is concerned about. However, for disadvantages participants gave many headlines from lack of knowledge, lack of information, deadlock in the aftermath of investments, lack of communication, lack of necessary background and education institutions, perception of making easy money, lack of experience, preferring business model that proved to be successful in international markets and closeness to new ideas and projects in the level of investments.

*What are conflicts between entrepreneurs and enterprisers in Turkey?*

Disadvantages from the first question's answers laid the base for reasons of conflicts and participants told their experiences or the information they possess. From the perspective of entrepreneurs, conflict occurs in various periods. In the period of entrepreneurs' efforts for selling their ideas, they encounter with problems such as not finding the right investor, lack of information and education, lack of information on legal issues and tax regulations that are needed eventually to protect them. Furthermore, participants who defined themselves as entrepreneurs underlined the management issues due to investor's capital power and urge to have control of the business in the level of building out entrepreneurs' opinions or experience. The inadequacy of the ecosystem is also a factor in conflicts and due to all those reasons, there occurs a bigger picture, in which entrepreneurs expect too much while investors spend too little.

Moreover, there may be situations as investors may be solely focused on financial rewards while the entrepreneur may want to create what they define as a superior product or service and quite often there occur a divergence of goals in the step of deciding the next step. As business grows, the entrepreneur may not have required skill set to take it to the next level and as such there may be conflict between him/her and the overall needs of the business for the sense of bringing in new management. Additionally, many times, the entrepreneur 'falls in love' with the business and his vision of it, as such he/she may not want to exit at the same with investor. For the same reason, investors' perspectives present multi reasons for conflicts. The investor may have more structured approach and due to that aspect there may be incongruence when it comes to compliance and control issues. Also, a sense that the entrepreneur is spending in their opinion too much time reporting and focusing on non-operational issues. Thus, there may be tension between institutionalizing the business and keeping it looser. Serious disagreement may occur when it comes to how the entrepreneurs see themselves and how investors see entrepreneurs in terms of contribution and remuneration. One of the participants clearly stated that in regardless of whether it is an entrepreneur or investor, tension can rise at any time, from business formation, launch, and development to exit.

There can be a role reversal as the perception of entrepreneur and enterpriser while there are different kinds of investors with different approaches. Investors see conflicts arise from lack of information, and lack of experience of entrepreneur and therefore this perception makes the process much complicated. For investors, having control of the management is significant especially in having profits is the moderate aim for them. One of the investors among participants indicated that either one party should have shares over fifty percentage or neither one has shares over fifty percentage, otherwise, it becomes a war of power and control. Also, investors stated the fact that the enthusiasm in the beginning of business is not enough for the aftermath, especially the excitement hides latent conflicts between parties.



*Have you ever encountered such conflicts?*

For this question, in online form, only two participants stated that they have not experienced such conflicts, while others answered that they have experienced a conflict. In interviews, respondents specified their conflicts and produce evaluations for the fourth question.

*Can you tell about the origin, result and if happened the resolution process of the conflict?*

Participants underlined the necessity of communication and tolerance, while taking lessons from failed examples and not taking only the successful business examples into consideration. Furthermore, the duration of share allocation remains significant for investors and entrepreneurs as legal matters cause roots for future conflicts. This question also provides solution ideas in order to prevent future conflicts and the importance of taking necessary precautions is understood by each participant as it equals to loss of time and money. Participants made statement of being careful about problems from the beginning and having an operative ecosystem requires efforts from both entrepreneurs and enterprisers.

*Which firms do you know that are closed down or saved in the aftermath of conflict between entrepreneur and investor?*

Participants provided different examples from Turkey and around the world. The bullet point that they stated is the importance of communication and information exchange between parties as these are the factors that may reverse the situation from failure to success. Some participants showed their own firms as examples but all in all, as one of the participants laid emphasis on, in the ecosystem stories of successful examples are always in

the forefront, however there are many unsuccessful examples behind even the one success story.

In the table below, frequency of responses is summarized in detail. As a result of online form and semi-structured interview process fifteen participants provided various answers from which ten categories can be generated in this study. Firstly, participants are consist of four investors who are angel investors, private equity firms owners and venture capitalists, three advisors who are either working as advisors to chairmen' or chief executive officers' in specialized firms or companies, and eight entrepreneurs who have involved entrepreneurial activities and have had experiences either in their own firm or private equity/venture capital firms, and they have been owners of business ideas. Secondly, in accordance with given answers, categories are named as incompatible goals, needs/musts/values, power asymmetry, domination/control issues, dependence between parties, fear of failure, intolerance of failure, problems in the application of business ethics, communication problems between parties, lack of efficiency and experience.

As shown in the table, participants mentioned various reasons for conflicts and common features of their answers are marked accordingly. For incompatible goals, thirteen of the participants gave examples. Four entrepreneur participants stated that needs/musts/values have to be underlined as they could lead to inevitable problems and deadlock in negotiation processes. Power asymmetry is also a major issue for both parties, as five participants who have similar positions made connection between power relations and domination and control issues. Dependence is a category which is highlighted by entrepreneurs mostly. Fear of failure and intolerance of failure were mentioned by advisors and entrepreneurs as it becomes a reason for not only entrepreneurs but also for investors and advisors. Among fifteen participants three of them said that problems in business ethics causes a threat to the development of entrepreneurship in Turkey. Eight participants gave experiences within the communication problems as misinformation and disconnection between parties may block the way for resolution. Similarly, lack of efficiency and lack of quality experience induce inadequacies to entrepreneurship and deteriorate problems furtherly.

Participants & Positions	Incompatible Goals	Needs/Musts/Values	Power Asymmetry	Domination/Control Issues	Dependence	Fear of Failure	Intolerance of Failure	Business Ethics	Communication Problems	Lack of Efficiency & Experience
P1 Investor	✓		✓	✓					✓	✓
P2 Investor							✓			✓
P3 Investor	✓		✓	✓				✓	✓	✓
P4 Investor	✓								✓	✓
P5 Advisor	✓		✓	✓		✓			✓	✓
P6 Advisor	✓							✓		✓
P7 Advisor	✓				✓		✓			✓
P8 Entrepreneur	✓					✓				✓
P9 Entrepreneur		✓	✓						✓	
P10 Entrepreneur	✓			✓	✓				✓	
P11 Entrepreneur	✓									
P12 Entrepreneur	✓	✓			✓			✓		✓
P13 Entrepreneur	✓				✓	✓	✓		✓	
P14 Entrepreneur	✓	✓			✓				✓	
P15 Entrepreneur	✓	✓	✓	✓			✓			

Table 2: Analysis of Responds

### 5.3.2 Conflict among Enterprisers

Before sending the questions to participants to acquire data for this study, the secrecy of their answers was guaranteed and no name or no specific information about a firm, a person or an investment was explored. By providing this secrecy, the aim was to learn their experiences about conflicts and have information about their situations as entrepreneurs and/or investors in Turkey. Other than one participant who could not be sure about whether giving names is illegal or not, none of the other participants questioned the design of the study. However, this study focused on conflicts between entrepreneurs and enterprisers and there is still a gap for learning about conflicts solely among enterprisers. Conflicts between partners, founders, investors are major areas to investigate and consist of obscure problems that cannot be voiced due to various reasons such as protection of the image of the firm, the value of the venture and concerns about investments.

Although the analysis is on entrepreneurs and enterprisers, conflicts among enterprisers can also be mentioned. First of all, lack of division of labor is a major source of conflict between investors, founders, partners because it causes an imbalance on power for the future. Secondly, nebulous definition of being an investor is also a reason for investors. The urge for dominate the management is a potential danger for firms because of the definition of partnership involves permissions and responsibilities taken unanimity. Thirdly, in the aftermath of investment, the future plans among the investors may collide and bury the investment as reveal many incompatible goals, inevitably. In addition, different opinions about exits and share allocations create conflicts that may end up as a failure of the business.

In the case of Turkey, it is one of the troublesome issues in the ecosystem because of the network that build between partners and investors does not allow any individual to reveal any information about another individual or firm. Trust and recognition matter in the ecosystem and actors protect their information as well as they refrain to involve a conflict between other parties. Consequently, the conflicts between partners, investors, founders may be heard in the stage of exits or in the aftermath of separations while situation causes latent conflicts to escalate eventually. This situation actually deteriorates studies to be done,

mostly due to lack of information about issues and problems that will prevent carrying out an appropriate research in the study area.



## CHAPTER 6 ANALYSIS

### 6.1 ANALYSIS AND FINDINGS

The entrepreneurship in Turkey is a developing area with economic and social consequences. As Turkish ecosystem is improving, there are multiple fields to be attentive to and this study explores one of the subjects, the conflicts between entrepreneurs and enterprisers. To have a detailed analysis, factors in the ecosystem is transformed into categories which reflect participants' contributions and as a result findings for this study.

In access to capital, participants clearly stated that it is one of the problematic themes in Turkey. The inefficiency in investors' spending on projects is apparent and current financial structure is not fair in terms of share allocations. Due to limited capital, investors want to change the direction of companies as this situation deactivate the entrepreneurs. This condition mostly emerges when investors' expectations for profiting in higher proportions as they invest many companies. The probability of closing down on the first year of a firm is a great risk for both parties as unnecessary financial burden and expenses occur inevitably.

In market conditions, scale and accumulation of Turkey's market is evaluated as small and insufficient. Regarding the niche market conditions, investors and entrepreneurs could not find a real chance to be successful without struggling in the current system. In addition, the differences in market conditions, differences in national and international markets become repellent conditions for foreign investors. Local investors become tentative in terms of establishing firms in such high risk taking necessities. Moreover, local investors' understanding and perception of advancing capital market is another hardship for the ecosystem.

In legal perspective, lack of lawyers, lack of finance experts, inefficiencies of special positions for share allocation, contracts, and evaluation should be under supervision, which Turkish ecosystem has not possess such application. Also, the legal gaps cause longer legal durations and inefficient punishments in a case of conflicts. Additionally, the immaturity of patent and translation issues stir up further problems. The

governmental applications are vital parts of the ecosystem and one of the biggest issues is the initiatives provided by government. This inefficiency causes conflicts within the Research and Development area in which investing with a focus on project is not enough as the technical infrastructure would not allow radical reformations in the ecosystem. Together with these inefficiencies, lack of information about different markets and research and developments trigger conflicts between investors and entrepreneurs about the direction of their joint business.

While matters of market conditions, legal regulations and technical considerations remain crucial in the development of ecosystem, education and culture present different perspectives. As the base of each process, a proper education for young entrepreneurs is a significant step in accordance with aims of finding their talent and having efficient implementations for being entrepreneurs. Having their own business is crucial but without lack of proper education and lack of directions, they settle into a vicious circle of failure. Especially, young entrepreneurs need mentors and their experiences in terms of directing their capabilities to the right business areas. Unfortunately, financial literacy, which provides a combination of legal and financial awareness, is also absent for entrepreneurs and investors. Finally, the idea of making easy money and imitating only successful examples in other markets rather than generating new projects will bring possibility of failure.

The share of cultural implications is also vital as Turkish society embraces entrepreneurship gradually. As a country which carries features related to High Context Culture, Turkish society approaches issues related to business in a collectivistic perspective. The importance given to group decisions, indirect messages in communication, influence of positions of individuals and existing hierarchy and obligations of rules draw a frame for high context culture and communication. Thus, effects of having a collectivist approach are visible through established business networks, relations of intragroup and intergroup levels and accordingly, influential in entrepreneurship ecosystem in Turkey.

One of the main problems is the intolerance of failure. Intolerance causes major drawbacks in the business implications and raises ethical problems as entrepreneurs try to avoid from public shame. Miscommunication and breaking promises bring obligations in

moral and material contexts, however having capital is creating further problematic issues as the upper hand is directed by the attitudes of the owner of the capital. In this sense, as one of the participants stated in the interview, ‘if you have money you are an entrepreneur, if not you are just a crazy person with a crazy idea’. Finally, the transformation of management of the business into a war of power and character also produces conflicts between parties. Eventually, the loss of trust and sense of change between actors leaves ecosystem in a vulnerable situation and lays the foundation of deeper conflicts.

Having a broader perspective and understanding causes of conflicts between actors are necessary in terms of evaluating the ecosystem properly. Participants’ answers defined a part of conflict which many of them still unknown and their effect leads to an inefficient ecosystem. The importance of analysis comes from the fact that Turkey’s ecosystem is a newly emerging system. Preventing conflicts from the beginning will derive a stronger system that allows the development of next generations.

Regarding theories of conflict analysis and resolution, first of all conflicts of interests become significant. Considering the Human Needs Theory, the esteem needs are effective in conflicts between enterprisers and entrepreneurs. Investors’ urge for controlling the progress and entrepreneurs’ plans for their own ideas pair off with esteem needs of having achievement, reaching a status which brings responsibility and at the end of reputation due to success in the business. In this sense, any factor that threatens these needs for an individual encounter with conflict. Furthermore, according to Relative Deprivation Theory, one party receives something the other party also wants to own. In other words, without the concept of capital, entrepreneurs may want to have equal share and voice for their business. The best case would be conflicts between enterprisers due to equal balance of power that comes from the possession of money. In terms of power relations, the conflict between parties most likely rises between entrepreneur and investors. On the one hand, entrepreneur has the origin of idea, the informational power, and most probably the future plans for the business. On the other hand, investors have the tool for realizing entrepreneur’s idea on which they can profit. In this respect, informational power combines with position-based power and also contextual power and the conflict is deepened by the asymmetry of power between parties. In the possibility of such conflicts, BATNAs may also create an



asymmetry and provide an upper hand for the parties. For investors, their BATNAs may be the control of exits or they may choose to invest the idea not the entrepreneur. In the case of deficiencies of legal regulations that should protect the entrepreneur, investors may invest similar projects. For entrepreneurs, their BATNAs may be consisted of selling their ideas in a competitive market, or they may have the alternative of selecting any investor they may. For example, one of the participants specified that they choose to work only with foreign investors as Turkish investors do not provide what they want to develop their ideas. Their BATNAs are effective as investors' are.

In terms of negotiation, both parties may choose their strategies according to their situation and their BATNA's which will draw the frame for their strategy and methods during negotiations such as avoiding, collaborating, competing, and accommodating as in the dual concerns model which manages many conflicts of individuals for their own interest and for others' interests.<sup>164</sup> In this sense, the conflict between parties include many elements that conflict analysis and resolution gives meaning to.



Table 3: Conflict Wheel Analysis on Conflicts between Entrepreneurs and Enterprisers in Turkey

<sup>164</sup> Lewicki, Barry and Saunders, *Essential of Negotiations*, 151.

In the table above, findings as a result of case study are presented by using the Conflict Wheel tool. The structure of the tool provides an organized framework and a clear network for the relations between actors in the ecosystem. In explaining conflicts between entrepreneurs and enterprisers, conflict wheel categorizes the process as actors, issues, dynamics, context, causation and strategies. As in the table, actors are constituted by entrepreneurs and angel investors owners of venture capital and private equity firms, actors of public and private institutions. Issues between these actors are referents for the conflict and beginning from hardships on access to capital, lack of information, lack of experience of entrepreneurs, control issues over the management and decision making, power imbalance between entrepreneurs and enterprisers as well as inefficient market conditions, gaps in legal regulations, ethical problems in work places, inadequacies in incentives given to entrepreneurs, unwillingness to take risks by investors, technical incompetence, unqualified education, intolerance of failure and the negative perception of entrepreneurship as a career choice by the society.

Dynamics are themes that have continuously changing environments, thus they have affected and have been affected by the entrepreneurship at the same time. Therefore, in the Turkish ecosystem, current economic developments, government regulations on legal, tax, market systems as well as technological developments, educational opportunities and cultural settings of the society and the situation of unemployment in the country are dynamics that intermingle with the entrepreneurial activities. As a result, entrepreneurship is analyzed within context of Turkey's economic and social spheres as national and international developments and innovations in technology remain effectual context elements.

In the causation section, issues are related to explanatory theories such as Human Needs Theory, and Relative Deprivation Theory. In accordance with power symmetry/asymmetry, group mobilization, business conflicts and problems in communication, conflicts' causes are analyzed in detail. Finally, in the strategies section, the methods for resolving the conflict or pausing the escalation of the conflict is indicated with usage of BATNAs by parties and negotiation styles they choose to apply. Also, the

communication models –encoding decoding, intentionalist, perspective taking, dialogic- can be descriptor for a case because these models set the communication, coordination and tone of cooperation between parties. In addition, the application of the Maturity and Immaturity Theory eases the resolution process for and by the parties in the conflict. The theory show steps to take as parties accept their roles and know their boundaries in resolution process. For them, thus, application of this theory enables a catalyzer for conflicts.

## 6.2 LIMITATIONS

In order to acquire related data for analyzing conflicts and reasons of conflicts, multiple limitations were encountered in this study. First limitation was selecting individuals for online form and interviews. In this step, a natural process emerged in which significant contributions to ecosystem by entrepreneurs or investors remain as a priority. To be able to decide the participants, a list of individuals was created highlighting the projects they completed and investments they have made. However, the list could not include many individuals thus it is open to criticism. Another significant limitation was the limited number of women participants. There were only two women respondents who occupied as an advisor and an entrepreneur. Regarding the business environment that entrepreneurship thrive, this gender inequality reflects much deeper issues about the entrepreneurship in Turkey. Second limitation was creating a base for trust and need for recognition in order to have answers from participants upon their will and generate an urge for them to answer questions online. In this step, networks established through business connections, which excludes any individual who would not be pleased to inform by this way. Also, business conditions may create a situation in which participants felt a requirement to fulfill answers in order to complete it. Although building a business connection limits doubts of participants, there is still an issue of trust and secrecy, which was tried to be prevented by guaranteeing not exposing any information given.

In the aftermath of selecting questions and explaining the situation, another crucial step was to establish total number of participants. Originally questions were sent to twenty people, however due to time limitation, which is two weeks for answering, and some individuals' unwillingness to join due to their busy schedules, five person did not contribute the study. Accordingly, one of the major limitations was analyzing answers they submitted. This step was more difficult than due to not having a word design to qualify and compare answers. Within submissions personal expressions, main ideas and critics were tried to be extracted. In semi-structure interviews, this situation presented also a major drawback. Least but not least, many of individuals perceived time interval for answering questions and specified that two weeks would not be enough and it was very limited for joining such study. Thus, the time interval caused an inefficiency for the analysis.

## **CHAPTER 7 CONCLUSION**

### **7.1 CONCLUSION**

The importance of entrepreneurship is recognized gradually with improvements on economic and social areas. Currently, Turkey has a potential that has been highlighted in national and international settings. For the development of the potential, entrepreneurship has taken responsibility and has become a major factor in the development process. Therefore, analysis of entrepreneurship in Turkey is vital as asking the right questions. Alongside definitions of entrepreneurs and meaning of the concept of entrepreneurship, questions asked also present a structure for ecosystem, in which all actors and factors are integrated to each other to have successful entrepreneurial activities that provide operation and further improvement for the ecosystem. In this point, realizing the significance of relations between actors who are entrepreneurs, investors, owners of venture capital and private equity firms, representatives of public and private sectors, provide a different angle to seek Turkish entrepreneurship.

Conflict Analysis and Resolution as a discipline produces various frameworks and concepts that have capacity to explain the conflicts between entrepreneurs and enterprisers and to give meaning for current problems. This study is aimed to discover reasons of conflicts between entrepreneurs and investors while contributing to the existing studies, reports, and data on entrepreneurship of Turkey. Additionally, while current information on ecosystem in Turkey has been studying, there are deficiencies and actions to be taken to have a comprehensive research on the subject. In other saying, conflicting issues should be established as a part of developing studies to provide a broader and much beneficial source for the development of the ecosystem. In accordance with this argument, this study aimed at explaining conflicts. After evaluating the historical background and current situation of Turkish ecosystem, actors and factors are focused as conflicts play major roles with their resolution processes. Turkey has a prominent chance to have a strong entrepreneurship

ecosystem that will support future investments by both public and private entities. Thus, appropriate goals and strategic directions are to be followed. This analysis relates many perspectives to provide a broader explanation for conflicts between actors within problems of access to capital, access to information, lack of experience, inefficient market conditions, gaps in legal regulations, inadequacies in incentives, technical incompetence, unqualified education and the intolerance of failure. As this study investigates answers of participants through online form and semi-structured interviews, their evaluations become parts of current situation in Turkey and data acquired for the analysis that provides information about the conflict in the ecosystem.

In conclusion, as conflicts may have complex structures from intrapersonal to organizational, from local to international, interests, needs, resources, information and power remain as vital points that conflicts occur most of the time. In entrepreneurship, all these elements combine with economics, finances, business management, sociology, ethnography, and cultural studies. Therefore, the multifaceted structure of entrepreneurship is evaluated as the conflict analysis provides crucial problematic themes in the ecosystem. The lack of division of labor, asymmetric power relations, miscommunication, incompatible goals for the future of the venture, limited investments and inefficient incentives by enterprisers, lack of appropriate education and unsatisfying technical capacities of entrepreneurs, as well as weak market conditions, lack of needed tax system and legal regulations, cultural perceptions and need for educational support are main elements in underlining conflicts in entrepreneurship of Turkey. Therefore, even though the conflicts between entrepreneurs and enterprisers are explained, further research must be done in order to make explicit the relationship between actors in Turkey, and transform Turkish entrepreneurship to a stronger ecosystem for future economic and social developments.

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