

# THE EFFECTIVENESS OF THE FIVE-YEAR DEVELOPMENT PLANS ON THE DEVELOPMENT OF THE CONSTRUCTION SECTOR

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With the increase in competition, competitive advantage becomes even more important for the survivability of the companies. Due to their influence on the orientation of companies, the effectiveness of the five-year development plans are important to achieve a competitive advantage for the companies. The materials sector plays an important role in Turkish industry and economy in general. As was emphasized by Güneş *et al.* (2004: 44) construction material production has a 10% share in Turkish industry. Focusing on iron-steel, glass, ceramic and cement sectors, the purposes of this study are: to provide information to the companies about the sector, to contribute to the companies in their effort to evaluate future opportunities and threats, to contribute the survivability and competitiveness of the companies. A literature survey on strategic plans and state development plans was carried out. Within the scope of the research, relevant statistics obtained from State Statistic Institute and Central Bank of Republic of Turkey were analyzed. Possible future developments of the material sector were also focused upon. In order to understand how five year development plans are perceived by the construction companies, and also what the opinions of the Turkish construction companies are about why these plans can not be accomplished wholly as they were planned, a questionnaire was prepared and applied to the companies which are members of the Turkish Contractors' Association (TCA). The literature survey indicated that the material industry was effected by the 2002 economic crises in Turkey and other ongoing economic fluctuations. The answers given in the questionnaire indicated that the companies do not think that the five year development plans are entirely accomplished. The research revealed that although the five year development plans could not be entirely accomplished, and even though they are not efficient enough, they still provided a guide to the companies so that the industries could overcome the difficulties emerging from the 2002 economic crises. The research also concluded that there is a need to increase the efficiency and effectiveness of the five year development plans.

Keywords: competition, competitive advantage, five-year state development plan, globalization.

## INTRODUCTION

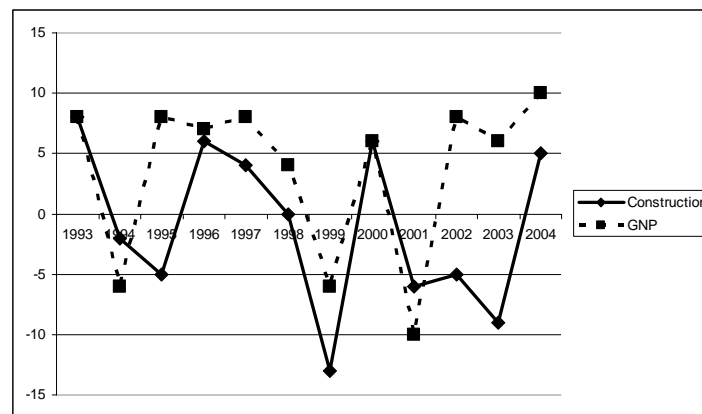
The construction sector plays an important role in the development of Turkey. As Oner and Saritas (2005) emphasize, the construction industry plays a vital role in the socio-economic situation of the country. The industry creates markets for products of other domestic sectors and produces goods for the growth of other industries. It has strong input-output relationships with industries such as energy, cement, brick, stone,

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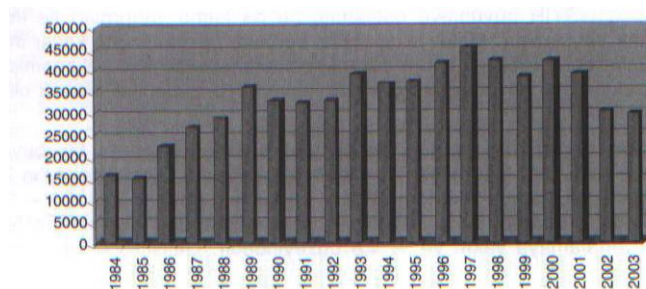
iron, and steel in manufacturing. Also, banking, insurance, and technical consulting in services is 28% of the Turkish GNP. The relationship between comparative growth in construction and GNP is seen in Figure 1. Construction investments cover 60% of total fixed investments in Turkey. 30% of these investments are in the construction investments of the public sector. Being a labor intensive industry, the construction industry provides employment to about 1.4 million people, representing 6% of the total employment in Turkey. Turkish contractors have a significant share in the total construction work in overseas markets. The share of Turkish contractors in the international market reached 4% in 1998 with a total amount of US\$39 billion (Oner and Saritas 2005). The international construction market was 116 billion US dollar in 2002 (Pogrell 2003). The total amount of realized construction by the Turkish contractors throughout the years is given in Figure 2.

**Figure 1:** Comparative Growth in Construction and GNP



Resource: State Institute of Statistics

**Figure 2:** Realized total construction (mil. m<sup>2</sup>)



Resource: Central Bank of the Turkish Republic quoted from Güneş, *et al.* (2004;14)

As Güneş *et al.* (2004) emphasize the iron and steel, cement, ceramics and glass industries of Turkey are briefly explained in the following paragraphs:

**Iron and Steel:** The infrastructure of this sector dates back to 1930s. It was mainly affected by the politics of liberalization in 1980s. This sector is ranked third in Turkey from the point of export. It is ranked 11th in the world with the value of 2.8 billion \$ in 2002. In addition, the sector was affected by the 1994 crisis. The export decreased whereas import amounts increased. The sector was also affected by the 1997 crisis which emerged in south the East Asia countries in mid 1997; and the crisis in Russia which spread to other countries in 1998. Most significantly, the crisis in 1998 caused a 5% decrease in Turkey's export of steel. In 2000, the sector overcame the

difficulties of the crisis and exports increased 7% compared to the previous year. The earthquake in 1999 and the 6% shrinkage in GNP caused difficulties in the sector. Despite these difficulties, the employment rate in the Turkish iron and steel industry did not change. In 2001, iron and steel exports increased 33% whereas in 2002 exports increased 11%. In the iron and steel sector, Turkey is an important export/import country. Exports are approximately 3 billion dollars per annum whereas imports are above 2 billion dollars (Gunes *et al.* 2004: 45). Turkish Industrialists' and Business Association (2002) emphasized that since electricity is among the main imports to the industry, it is important that the prices of electricity fall to international standards.

**Cement:** The first productions of the Turkish cement industry started in 1911. Since then Turkey has become the most important cement producer in the world. Mostly domestic inputs are used in cement industry, in which the added value is high (TUSIAD, 2002). Being one of the leading sectors in Turkey's industrialization, the cement sector provides employment for 25 000 people. In 2002, based on production, Turkey was Europe's third and the world's twelfth largest cement producing country (Güneş *et al.* 2004: 46). Cement production was 35.1 million tons in 2003 and in 2004 it increased by approximately by 10% rising up to 38.8% (TUSIAD, 2002). Turkey is Europe's first and the world's second largest cement exporting country. At the beginning of the 1990s, 10% of total production in Turkey was exported. At the beginning of 2000 this ratio increased to 20%. In 2003 total export of the sector was six billion tons with a value of above 300 billion dollars (Güneş *et al.* 2004: 46). Cement is mostly exported to European countries. (Erşen and Vural, 2005, 23) On the other hand, Turkey imports approximately, 8-10 billion cement per annum (Güneş *et al.* 2004: 46).

**Ceramics:** Especially starting from the 1980s the production of ceramics increased throughout the world. The usage of ceramics in construction is widespread. Turkey is among the most important producing country. It is Europe's third and the world's fifth largest ceramic producing country. Turkey's ceramic imports are approximately 25% of its total export (Güneş *et al.* 2004: 46).

**Glass:** The glass industry is a shrinking industry worldwide. This sector is defined in the world as a "primary" and "sensitive" sector. The Turkish glass industry is a developed industry branch. Turkey is Europe's sixth in glass industry. The exports of the sector are total approximately 500 billion dollars per annum. The imports are around 150-180 billion dollars (Güneş *et al.* 2004:46).

## FIVE YEAR DEVELOPMENT PLANS

Mohammed and Appalanaidu (1998) stated that development planning is the most direct way to achieve economic growth of a nation for many economists. They also emphasized that the goals of development plans are: A rapid increase in per capita income, a reduction of poverty and income inequalities, and a relatively high stability of price of primary commodities. According to the Turkish State Planning Organization, planning is a tool that shows the degree of intervention in the (economic and social) life of people to reach the (desired) results. Altintas (1976) defines the basic functions of development plans as efficiency, coordination, and announcement. Having the aim for efficient distribution of limited resources, the development plans coordinate the relationship between industries and sectors. They aim to use the capacity of the sector efficiently and to provide balanced development.

(Oner and Saritas, 2005:889-890) Oner and Saritas (2005:891) define “development planning” as “the contribution and intervention of the government to the social and economic life of country by utilizing the limited resources in order to create wealth and to improve quality of life.”

The Turkish State Planning Organization was established in 1960. 5-year development plans in Turkey are based on the 1961 constitution. The first 5-year development plan of Turkey was put into practice in 1963.

As Oner and Saritas (2005) indicate five year development plans in Turkey have the following characteristics:

- They indicate long-, medium-, and short-term characteristics in terms of their duration.
- They generally take 15 years into consideration.
- They are primarily strategy documents and are produced every five years.
- They are macro level plans.
- They include policies and strategies for: economic development, social and cultural development.
- They are guiding plans (Oner and Saritas 2005).

As Gunes *et al.* 2004 emphasize the first three five year development plans are thought to be successful from the point of the aims and the applications. However, the later plans could not be realized wholly. Even though the problems and the solutions were successfully identified, the accomplishment of these plans were not successful in all sectors. The losses in employment and in the added value indicate that the plans prepared for the construction sector were not successful. There are some problems which were aimed to be solved in the previous plans and which still continue. The fifth five year development plan of the period 1985 and 1989 aimed at the constructions to be carried out by the qualified contractors. It stated that the arrangements enabling the construction works to be carried out, were done by trusted contractors. However, these arrangements are not reflected to the sector. The fact that the related arrangements were not realized wholly was also observed in the earthquakes in Izmit and Düzce in 1999. The fifth five-year development plan aimed at hiring qualified technical staff for the control of construction works. Nowadays, inner job training and efficiency are among the main problems of the sector. In the seventh and eighth five year development plans covering the periods of 1990 and 1994; and 1995 and 1999, the same problems concerning the differences between the plans and the accomplishment are seen. In the sixth-five year development plan, the international contracting was supported, however, the market share of Turkish contractors abroad shrank from 1.7% to 0.4%. The development of construction control systems in order to increase the standards of construction was included in the fifth as well as in the sixth five year development plans. The politics for construction in the eighth five-year development plan for 2001 and 2005 period, verify the fact that the aims of the previous plans could not be accomplished. For example, in the eighth plan, the support of the professional and technical training in order to provide main manpower-human resources are aimed (sixth five year development plans, SPO, 180) (Güneş *et al.* 2004).

Bryson *et al.* (1987) indicates that there are four problems which prevent the achievement of the plans. These problems are: human, process, structural, and

institutional problems. The first problem is the management of attention and commitment. The second is the management of strategic ideas into good currency. The third is the management of part-whole relations. The fourth is about the exercise of transformative leadership. Margerum (2002) emphasize the importance of collaborative planning for effective implementation.

## **OBJECTIVES, DELIMITATIONS AND LIMITATIONS**

One major limitation was that the questionnaire was applied to the construction companies which are members of Turkish Contractors' Association. It was difficult to get answers from the companies. One of the reasons for this situation can be the restricted time schedule and heavy work load of the companies. Another reason can be the reluctance of the staff to give information about their company.

## **MATERIALS AND METHOD**

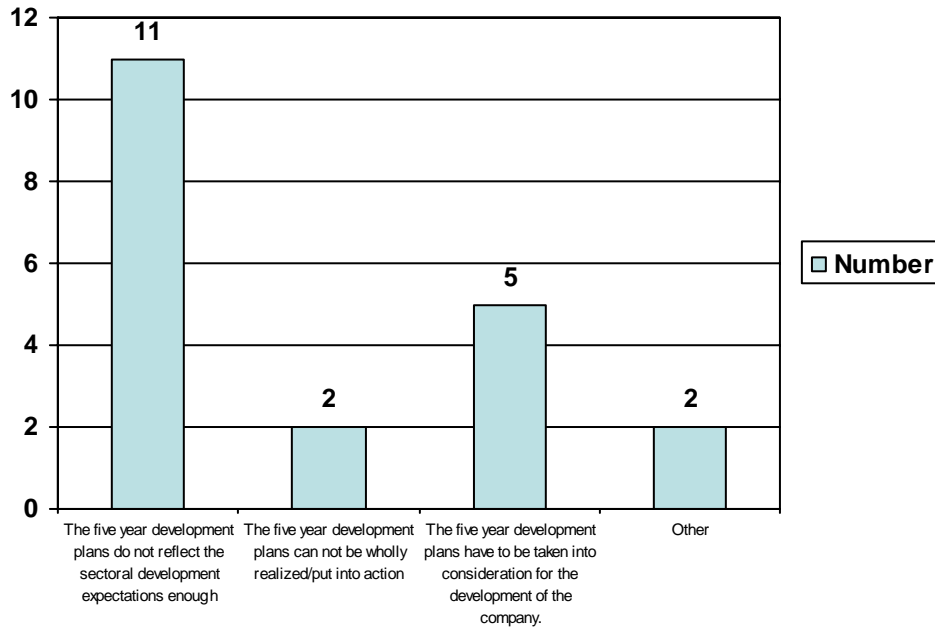
The literature survey on the relevant topics and the statistics obtained from State Statistic Institute and Central Bank of Republic of Turkey were examined. In addition to this, a small questionnaire was prepared which consisted of two questions. The first question concerned the opinion of the companies about five-year state development plans and the second was about the opinion of the companies concerning why the five-year state development plans can not be realized wholly. As it was previously stated, the questionnaire was sent to the member companies of Turkish Contractors' Association.

## **DISCUSSION AND PRESENTATION OF RESULTS**

Approximately, 58% of the companies which answered the questionnaire indicated that the five-year development plans do not reflect the industrial development expectations sufficiently. 11% of the respondents indicated that the five year development plans can not be wholly accomplished. 26% of the respondents stated that the development plans have to be taken into consideration for the development of the company (Table 1). Even though it is difficult to generalize the answers given, all of these answers reveal that the Turkish construction companies think that the development plans are not efficient and can not be accomplished wholly.

Based on the answers given by the companies, the reasons behind the failure in the accomplishment of the five year development plans are stated as follows:

- The economic difficulties of Turkey are also reflected in the construction sector too. The investment volume can not increase because of the lack of sufficient investment.
- If the economic fluctuations and uncertainty in the sector continues the same problems in the plans will also continue to exist.
- The fluctuations in Turkey, scarcity of liquidity, the minimization of the public investments are the main obstacles which prevent the accomplishment of the plans wholly.
- The fact that the development plans are far away from the country's facts and reality, and the fact that the business environment is not stable and secure for the private sector are the main obstacles which prevent the accomplishment of the plans.

**Table 1:** The perception of the five-year development plans by the Turkish construction companies

These answers showed that there is a need to make more efficient development plans. They can not be entirely accomplished and they do not reflect the expectations of the companies. Even though the plans could not be accomplished wholly, they provided the companies a reference and they functioned as guides. They helped the examined industries to survive the crises and economic fluctuations. In the analysis of the material industries, it was explained in the previous paragraphs, that all of them were affected by the crises. It was also revealed that the industries were successful in overcoming the crises.

## CONCLUSION

The development plans determine principles with regard to the main problems of the sector. However, the lack in application of those plans resulted in the repetition of these problems (Güneş *et al.* 2004). The answers given in the questionnaire revealed that the five year development plans do not reflect the expectations of the companies. Although the development plans have not been entirely accomplished, they have been a reference document for the companies to see changes and expectations over time. This in turn helped the industry to overcome crises. In conclusion, there is a need to make more efficient and effective development plans. In order to increase the efficiency of the plans, it is important that the plans reflect the industrial development expectations and that the plans take into account the country's facts and reality.

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## APPENDICES

### APPENDIX 1 *Questions asked:*

#### 1. What do you think about the five year development plans of the construction sector? You may indicate more than one option

<input type="checkbox"/> The five year development plans do not reflect the development of the construction sector's expectations enough.	<input type="checkbox"/> The five year development plans can not be wholly realized/put into action
<input type="checkbox"/> The five year development plans have to be taken into consideration for the development of the company.	<input type="checkbox"/> Other (please specify)

#### 2. In case you think that the five year development plans can not be accomplished wholly what are the reasons for this? What do you think how they can be made more effective? Could you please specify your comments and interpretations in this topic?

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### APPENDIX 2

#### Answers to the questions:

Companies	Questions	
	1	2
Company 1	4	Planning can not be done in this business environment.
Company 2	2	
Company 3	1, 2	
Company 4	3	
Company 5	3	
Company 6	1, 2	The economic difficulties of Turkey are also reflected in the construction sector too. The investment volume can not increase because of the lack of sufficient investment.
Company 7	1	
Company 8	1	If the economic fluctuations and uncertainty in the sector continues the same problems in the plans will also continue to exist.
Company 9	4	
Company 10	3	
Company 11	1	
Company 12	1, 2	
Company 13	1	The fluctuations in Turkey, scarcity of liquidity, the minimization of the public investments are the main obstacles which prevent the accomplishment of the plans wholly.
Company 14	1	
Company 15	3	
Company 16	1	The fact that the development plans are far away from the country's facts and reality, and the fact that the business environment is not stable and secure for the private sector are the main obstacles which prevent the accomplishment of the plans.
Company 17	1	
Company 18	1	
Company 19	3	