

**SMALL FIRMS AND LOCAL ECONOMIC DEVELOPMENT IN TURKEY:
THREE CASE STUDY AREAS**

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THESIS ABSTRACT

This thesis analyses small firms and local economic development in a semi-peripheral country, Turkey. The study argues that small firms in Turkey, as in other Southern European countries, have different characteristics from those in third world countries and in advanced economies. Therefore, they cannot be fully understood and conceptualized within dualist approaches, or the flexible specialization and post-Fordist theories. The thesis suggests that these approaches cannot explain all the dynamics of small firms and their role in local economic development in the Southern European semi-periphery. Instead, small firms have to be understood for their role in the generation of personal income within family and social networks within the local economies of these countries.

The fieldwork for the thesis is designed to reveal spatial and sectoral dimensions of small firms. Three sub-sectors from commerce, manufacturing, and construction were chosen. Three medium-sized cities from three different regions in Turkey were selected as the survey areas. In each survey city, small firm owners, chambers of commerce and industry, training schools and local informants were approached. In total 216 structured questionnaires were conducted with small business owners. In addition, a series of semi-structured interviews and in-depth analyses were developed throughout the field survey.

Research findings show that the city economies in the survey areas are dominated by indigenous small and medium-sized firms. These are important elements for wealth and income generation for entrepreneurs, and their immediate family and relatives. While geographical variations between cities were found to be relatively small, there are significant sectoral differences in terms of role, transformation and change of small businesses. Contrary to the flexibility theory, small firms are not innovative and

internationally competitive. They are vulnerable to macro economic problems and policy changes. This survey revealed numerous characteristics of Turkish small firms which are similar to those found by researchers working in other countries. These are the highly personal and unstructured nature of business practice, the informal style of management, and the importance of family and friend involvement and networks. Anthropological aspects and entrepreneurial strategies were found to be very important for the growth and survival of small firms in Turkey in the absence of institutional support and complex business networks. This research opens new channels to investigate small firms in medium-sized cities in the European semi-periphery.

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Finally, special thanks to my parents and my sister who shared my enthusiasm and supported me throughout the research from far distance.

*) Turkish is written with Latin script, plus 8 additional letters. Only ç, ü, ö, ı are used in this text. Turkish readers will forgive me.

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CHAPTER ONE

INTRODUCTION

This thesis reveals the characteristics of small firms in three medium-sized cities in Turkey in the context of the Southern European semi-periphery. Despite its evident importance, there is a lack of research about Southern European small firms. Similarly, theoretical formulations of flexible specialization, post-Fordism and dichotomic approaches, such as formal-informal and modern-traditional, do not fully conceptualize the dynamics of small firms in the semi-periphery. This thesis brings a new theoretical approach to small firm research by focusing on sectoral and spatial dimensions. It addresses a wide range of issues regarding small firms by using three forms of analyses: anthropological analysis, micro economic analysis, and analysis of individual entrepreneurship.

The empirical data of the thesis is gathered from three medium-sized cities, Gaziantep, Kayseri and Denizli, and four sectors, retailing of consumer durable goods, wholesaling of foodstuffs, manufacturing of machinery and parts, and construction. The survey methodology of this thesis is based on a combined method of intensive and extensive research techniques. Structured survey questionnaires were administered to 216 small business owners. Some semi-structures interviews, case studies and anecdotal information were also collected from local informants, entrepreneurs, and chambers of industry and commerce.

Although this thesis is not primarily a policy oriented study, policy makers in local and national governments and SME related institutions can benefit from the analytical findings and the method of this research for a broader understanding of small firms in Turkey. The concluding chapter also offers a brief list of policy recommendations for the future policy implications in this field.

Central issues

The theoretical context of this thesis is the debate about small firms and economic development. There are two mainstream approaches to small firm research. First, the dualist approaches such as petty commodity production versus large capitalist production, formal versus informal and modern versus traditional dichotomies. These approaches have long been based on the argument about dependent capitalism and backwardness in the third world. However, this debate remains rigid and fails to understand the changing role of small firms in the semi-periphery. Second, flexible specialization and post-Fordism emphasise new types of capital accumulation and organizational structures which make SMEs viable in advanced economies. New technologies such as the use of informatics in service and production activities have increased small firms' ability to compete and survive in the market. Flexible specialization and networking, as widely observed in Third Italy have been crucial to innovation and the survival of small firms in this process. But it is important to analyse how far these technologies diffuse into small firms of the semi-periphery and what the competitive advantages of small firms are vis-à-vis large firms.

This study seeks to develop a new approach to understand semi-peripheral small firms. It has shown that, contrary to generalized processes in the current literature of small firms, there is more than one trend in the small business sector. Integration, transformation, backwardness and the formal and informal duality are all observed within different sectoral structures. Similarly, the role of small firms and the type of relationship between small and large firms vary depending on sectoral characteristics. This points out that many different types of small firms can exist in the same geography. Moreover, the innovativeness of small firms, which is widely emphasised in the advanced economy studies, is not proved in all sectors either in this empirical research or elsewhere. Surprisingly, this emphasises the existence of different small firm structures side by side in the semi-periphery as well as in advanced economies.

The evidence from Southern Europe indicates that a number of medium-sized cities have been experiencing growth parallel to indigenous SMEs' development during last two decades. The thesis analyses the validity of this argument and the empirical evidence indicates that a similar trend has been occurring also in Turkey. However, contrary to the emphasis in the literature on specific local cultures and conditions in which successful SMEs develop, geographical differences in the small business structure are not found to be significant. In contrast, barriers to growth and survival, use of labour, and technology are all quite similar across the survey areas but there are significant differences in small business practices and survival rates between sectors. Therefore, the findings of the thesis can be generalized for the Turkey as a whole.

The anthropology of small firms in the semi-periphery deserves particular attention. The involvement of family, friends and social networks in small business practices are often mentioned but not much analysed in small firm studies. The thesis reveals anthropological aspects of small firms and their influence on the day-to-day practices of small firms. Family, social networks, and religious and ethnic solidarity support market relations of small businesses. Similarly, the characteristics of entrepreneurs and their family backgrounds are very important in small firms because of their absolute control and management in the firm. The empirical evidence shows that small business owners do not come from a particular social background and education.

Survival and growth dynamics, technology use and innovation in small firms are also analysed in the thesis. Although innovativeness of small firms has been widely asserted in the advanced country literature, imitation of other businesses and products instead of innovation are found to be widespread in this study. The growth dynamics and performance of small firms which were statistically analysed revealed some surprising business practices. The most surprising of these are that small business growth was found to be sectorally associated whereas spatial variations are mainly significant for entrepreneurial characteristics. Similarly, significance tests showed relationship between the age and size of the firm, education level of entrepreneur and the firm growth.

Although the term of "entrepreneur" is commonly used to refer to particular characteristics of "innovativeness" and "risk taking" personalities, these are not easily identified qualities. Therefore, "small business owner" and "entrepreneur" are used interchangeably in the thesis. Similarly, the term SMEs (small and medium-sized enterprises) is used interchangeably with small firms in the text when I refer to general trends, theoretical issues and policy implications. This is because small and medium enterprises have been mentioned together in many theoretical approaches as well as institutional policies, including those of the European Community (EC) and International Monetary Fund (IMF). But it is also true that there is a grey area in the definition of small firms and medium-sized firms as well as SMEs and large firms between sectors and countries. This study is aware of the danger of confusion and I have clarified the methodology to reduce inconsistencies.

The definition of small firms is based on three criteria in the thesis: having a business premise, a small number of employees, and a highly personalized management structure. Turkish standards are used to assess manufacturing firms. Therefore, firms employing fewer than 50 workers are considered small. For commercial and construction sector firms the number of employees could not be an appropriate size definition. Nor are data about the firms' assets available. The management style of the business and the views of local informants, particularly chambers of commerce and industry, in each survey city have been useful for identifying small firms. Among many small firm definitions and criteria, Bannock's (1981) definition simplifies the main characteristics of small firms: "A small firm is one that has only a small share of its market, is managed in a personalized way by its owners...and not through the medium of an elaborate management structure and which is not sufficiently large to have access to the capital market for the public issue or placing securities". Chapter Four explains further the logic of selecting small firms in the survey areas.

The design of chapters

The chapters of the thesis cover general theory, an introduction to Turkey and the Turkish SMEs, methodology, empirical findings, and analyses. A general criticism of current approaches is presented at the end of Chapter Two. The theoretical approach of this thesis is developed in the conclusion of Chapter Three and clarified further in the methodology chapter which follows. Contrary to our expectation, the geographical variations of small firm growth and survival did not appear to be strong in the data analysis. Instead, the data analysis and significance tests indicated three important themes in the research besides sectoral and spatial variations: the social context, characteristics of entrepreneurship, and the survival and growth dynamics of small firms.

This affected the design of the analytical themes and the organization of empirical chapters. Certainly, the theoretical and analytical structure in each theme is influenced by the theory and debate in the current small firm literature. However, the main concern in the thesis has been to cover and elaborate on the issues which the data analysis highlighted. As a result, the empirical findings and hypotheses are analysed in five chapters. These are characteristics of the survey cities (Chapter Five), characteristics of the survey sectors (Chapter Six), anthropology of small firms (Chapter Seven), characteristics of entrepreneurship (Chapter Eight), and the survival and growth in small firms (Chapter Nine).

Chapter Two presents an overview of the theory of small firms with particular reference to the Southern European semi-periphery. It consists of two parts. In the first part, the nature of small firms and theoretical approaches regarding SMEs are discussed. Flexible specialization and post-Fordism, petty commodity production and the dualism debate are briefly introduced. Theoretical approaches to local economic development and the micro analyses of small firms are discussed. In the second part, Southern European countries are discussed by referring to their common characteristics with a particular emphasis on small firms.

A general outlook on the Turkish economy and society within the small firms perspective is developed in Chapter Three, which draws on general themes of Turkish economy and society. Definitions of small firms and the historical background of SMEs development in modern Turkey are discussed in three areas: economy, geography and society. The general problems of the Turkish SMEs are briefly summarized at the end of the chapter. This chapter provides the necessary background information for the spatial and sectoral analysis of small firms.

The theoretical approach of the thesis is presented in the conclusion of Chapter Three. The empirical inquiry and its research method are developed in Chapter Four. The rationale behind selecting the survey areas and sectors are explained and the design of the sample, the stratified random sampling method, and the process of administering the survey questionnaire are illustrated. The relationship between intensive and extensive research techniques is explained. The design of the statistical model, the presentation of contingency tables, and the use of anecdotal information in the thesis are illustrated with examples.

Chapter Five is about the survey cities and regional differences in small firm structures. It examines the relationship between urban growth and SMEs. The chapter focuses on characteristics of labour markets, local politics and culture, as well as the background to urbanization in Gaziantep, Kayseri, and Denizli. Differences between the survey areas in the process of rural migration, small business growth in various sectors and backgrounds of the sample entrepreneurs are analysed. Associations between the growth of small firms and their spatial characteristics are presented in Chi-square tests. A summary table of significance tests developed in this chapter indicates sectoral, spatial, and structural (non-sectoral and non-spatial) associations between parameters.

The characteristics of the survey sectors and the role of small firms are examined in Chapter Six. In each sector, input-output relations of small firms, which indicate sectoral variations of small firms, are illustrated. The range of services and goods produced and capital and employment sizes are analysed. The analysis shows that the survival of small

firms in a particular sector is a part of more general trends in that sector. Each sector is characterized within the dominant processes observed in the survey areas: integration, transition, crisis, and modern-informal duality. The retailers of consumer durable goods are integrated into large firms. The wholesale of foodstuffs is in transition due to changes in the production and marketing. The manufacturing of machinery and parts is in a crisis of technology and manpower. And construction is a modern business characterised by duality due to informal contracting and labour use.

Chapter Seven examines the anthropology of small firms, which is given little recognition in small firm studies. The survey results indicated that family, friends and social networks are very important in the day-to-day practices of the small business owners. The role of cultural values and social associations within the business practices of small firms are examined. Similarly, the effect of political, religious and ethnic aspects on small businesses and entrepreneurs are briefly discussed in this chapter. The gender relations showed that women are largely excluded from small business ownership and employment in the survey areas. However, other involvements of women in small businesses are analysed. The work ethics and apprenticeship tradition are examined within local business traditions. Solidarity and social networks are found to have negative as well as positive effects on small business growth.

Chapter Eight analyses characteristics of the sample entrepreneurs and their background. The entrepreneur is at the centre of small business practices and survival as they often do not have specialized management and organizational structure such as large firms. The initial ideas and aspirations of the entrepreneurs, their family and social backgrounds, and previous job experiences are examined. It is found that they do not constitute a particular homogeneous social group but rather come from various family backgrounds across sectors and regions. Urban middle classes, artisans, rural aristocracy and the peasantry are the main sources of small business entrepreneurship in the survey areas. Previous job experiences in family firms or in the firms of relatives are found to be crucial for the entrepreneurial development of the sample businessmen. Local business

connections and the support of family and friends are crucial for the decision of the business location. The vision of the entrepreneurs and their perception of the state are also analysed. It is revealed that there is considerable anti-state and anti-regulation sentiments among small business owners.

The final empirical chapter is devoted to the dynamics of survival and growth in small firms. This chapter focuses on a series of issues regarding small firm economics. Technological innovation, imitation and business performance of the sample firms are analysed. The significance tests have shown that growth in small firms are associated with the age of the firm. However, it is demonstrated that barriers to growth and expansion in small firms are common across the survey sectors and cities. Imitation of business styles and production techniques rather than innovation are found to be widespread. Network relations among small firms are examined and it is observed there are short-term and weak relations between small firms. The measures of business performance and entrepreneurial strategies analysed indicate that small business owners in the sample seek wealth rather than business growth or to invest in innovative activities.

The concluding chapter evaluates the findings and discusses further theoretical implications of the thesis in the field of small firm research. In the first section there is a summary of the empirical findings in each theme: medium-sized cities, sectoral integration and change, anthropological aspects of small firms, characteristics of entrepreneurship, and survival and growth in small firms. The three analytical themes for the small firm research are developed: anthropology of small firms, economic features of small firms, and the regional and local dimensions. First, it is argued that small firm studies in the semi-peripheral countries should give a particular emphasis to the anthropological aspects, such as the role of family, friends, social networks, ethnicity and religion. Second, small firm economics needs to focus on different processes of capital accumulation, technology and innovation within various sectors in the economy. Third, the local and regional variations in the characteristics of small firm growth and survival are considered. We end with suggestions for the analysis of the economic growth and integration of the medium-sized

cities of the semi-periphery into the global economy and the role of SMEs in that process. A set of policy recommendations are developed at the end of this chapter.

Some secondary data and empirical findings are presented in Appendices A, B, C, D. Appendix A is aimed to support the general discussion in Chapter Three with the national statistics on sectoral growth rates, the labour market, the sectoral and spatial distribution of small firms in Turkey. The Turkish and English versions of the survey questionnaire is included in Appendix B which supplements the methodology chapter. Appendix C provides detailed information about hypotheses and significance tests implemented in the data analysis. The population of the survey cities and their townships is also shown in this appendix which is utilized in several chapters. Appendix D provides tables and graphs on age categories of entrepreneurs and employees and the previous work experiences of entrepreneurs in the survey.

If we are to regard small businesses as important economic forces, and if the policies of semi-peripheral countries such as Turkey are to focus on their development, then we must be able to understand their key characteristics. This study has applied the variety of rigorous and subtle forms of analysis and interpretation necessary to show their social, economic and geographical features.

CHAPTER TWO

THEORY OF SMALL FIRMS AND THE SOUTHERN EUROPE SEMI-PERIPHERY

2.1 INTRODUCTION

This chapter analyses the emergence of SMEs in different economies and reviews theoretical formulations of SMEs in the literature. There is an increasing emphasise on small firms in government policies and academic research in developed and developing economies. Following the economic crisis of the 1970s, small firm promotion has increasingly been seen as a remedy for the economic problems of both developed and developing countries. International organizations like European Community, World Bank (1978), and International Labour Organization (1972) have been supporting the SME related policies and programmes with a new priority. The common point in these policies has been the importance of small industry for creating employment and income in third world cities.

Similarly, there has been a special focus on small firms in the EC. The European Parliament declared 1983 as the "European year of small and medium sized enterprises". SMEs and the local economic development policies have been emphasised for both the economic development of backward regions and the restructuring of old industrial centres in the EC regions (Storey and Johnson, 1987c; Stöhr, 1990; Bennett, 1991). This chapter focuses on this trend in the Southern European economies. It argues that Southern European countries and their SMEs have different characteristics from those in advanced economies of the north and in the third world countries and perform as a "semi-periphery". Turkey is regarded as a part of this semi-periphery. In this discussion, the validity of current theoretical formulations of SMEs are questioned and a new analytical approach is highlighted.

2.2 EMERGENCE OF SMEs IN THE WORLD ECONOMY

There is a widespread agreement that the international economy and the type of production have been changing dramatically over the past two decades. There have been rapid and radical changes in production technology, industrial organization, and world markets. One of the main consequences of these trends has been that the growth rate of SMEs has been higher than large firms. Parallel to these changes, there has been an emphasis on both small firms, which until recently were considered an impediment to modernization and development, and structural changes in the organization of larger firms. This has led to a new debate about the policies of economic management at the international, national and regional levels (Hirst and Zeitlin, 1991). It has shifted the discussion from Keynesian macro-economic demand management and regional policy concerned with stimulating inward investment and relocation of industry, to the search for means to stimulate enterprise and indigenous growth by enhancing of the local capacity (Stöhr, 1990; Bennett and McCoshan, 1993).

The SMEs and their role in the economic systems have been discussed in many different contexts. First, the approaches of local economic development policies emphasizing bottom-up development have promoted small firms. The transformation of the relative power of central governments and local governments as well as the relation of government to local entrepreneurs and other agents have each been components of the local development process. This emphasis on small scale development has been argued to be particularly appropriate for three types of regional problems in Europe; (i) regions of rural-peripheral areas, (ii) old industrial-declining areas and (iii) regions of former communist regimes (Stöhr, 1990). Small firms have been seen as elements of the change and future development of local economies (Bennett, 1989). In the context of Southern Europe, some evidence suggests that there has been an important trend for the growth of medium-sized cities through as a result of indigenous SME development since the 1970s (Garofoli, 1992).

Second, it is argued that the growth of SMEs in different economies is due to a new trend deeply embedded in the societies of advanced economies. One aspect of this is the increasing rate of self-employment and SMEs formation as a result of unemployment and lay-offs from large firms. However, SME growth is much more than self-employment. The pioneer study of Birch (1979) showed the increasing importance of small firms in the employment creation in the USA. Steinmetz and Wright (1989) have indicated that the increase in self-employment in the US economy reflected employer strategies resulting from declining opportunities for good jobs, political and demographic factors and increasing participation of women in the labour force. Small and medium-sized enterprises and self-employment have also been promoted by the EC governments for employment creation (Storey and Johnson, 1987c).

However, there are differing trends and implications for job generation between different sectors and countries. Amin et al. (1986) showed that there are many different types of growing SMEs and there is no unique concept that conveys different sectors and regions. Their detailed study of the three cases of the UK, the USA and Italy found that patterns of small firms growth and their contribution to employment differed considerably. It also appears that it is not just the number but the quality of SMEs that is important. Storey and Johnson (1987c), for example, argue that jobs created in small firms are not the same as those being shed by large firms in the EC. A majority of small firms remain small, and very few firms grow sufficiently to make a noticeable contribution to total employment. There are also concerns over the type of jobs created in small firms which are often lower quality than those which exist in large firms, and tend to lower-paid and unstable.

Third, some arguments indicate that the increasing importance of small industrial firms may be a temporary process in the global economic system. Goodman et al. (1989) and Dicken (1992) indicate that large firms and mass production may be undergoing renewal and starting to re-arrange activities. The gap between small firms and big plants in terms of economic efficiency is closing. Large firms are copying some advantages of SMEs while a higher proportion of small firms undertake no research and development

studies. Therefore, large firms may grow more rapidly in the future and small firms may suffer declines. In this situation, small firms may remain dependent on large companies and operate mainly within marginal markets. If this assessment is correct, SMEs will only be able to play a restricted role in the advanced economies. Prospects of survival may be quite narrow in a world in which the terms of both production and competition are set by the large corporations. Moreover, characteristics such as competitiveness, flexibility, dynamism, and innovativeness may become equally applicable to the large firm.

Fourth, it has been found that SMEs often have substandard working conditions, low wages, poor education, lower skills and they have a lesser development of trade union and labour rights (Amin, 1989b; Storey and Johnson, 1987c; Evans and Leighton, 1989). The importance of the growth rate of SMEs and their contribution to the economy has slowed down during the late 1980s and 1990-92 recession. There are signs of the weak competitive power and poor flexibility of small firms in Germany and Britain (The Financial Times, 24/12/1992; The Economist, 6/3/1993). A recent survey of multinationals in The Economist (27/3/1993) points out that multinational large companies are restructuring their investments and increasing their control over local and global economies. However, it is uncertain yet whether this is a temporary and short term reaction to the recession.

Finally, the debate about the role of small firms and self-employment in developing countries has also been renewed. The importance of small firms and self-employment are not new phenomena in the economies and government policies of developing countries. Marxists and Anarchists have dominated the debate: they considered this sector to be an outcome of underdevelopment or dependent capitalism. In this debate concepts of small and large have been converted into exclusive opposites (Bromley, 1985). However, there have also been some attempts to develop SMEs in the process of modernization, economic growth and the regional development of rural areas (Hoselitz, 1968; Staley and Morse, 1965).

The classic work of Staley and Morse (1965) *Modern Small Industry for Developing Countries* suggested that the most productive industrial structure for any country is a combination of large, medium and small manufacturing units. In developing countries this means that small manufacturing firms must be encouraged and supported in order to increase economic growth. The ILO redefined the informal sector in third world countries as a potential engine for achieving self-sustained economic growth. The World Bank (1978) has also supported policies of small scale enterprise development in developing countries as part of an important role in creating income and employment opportunities for the poor in urban areas. Hence, there has also been a shift in the literature of third world development to recognize the potential of small firms and self-employment for economic development and employment creation in urban areas of developing countries.

2.3 THE NATURE OF SMALL FIRMS

For an introductory understanding of the nature of small firms, it is useful to look at the economic theory of firms. In the mainstream discussion there is a preoccupation with economics of organization, markets and hierarchies. This suggests that micro-economic organization appears as an interplay of markets and hierarchies. Williamson (1975) explains the combined presence of large, complex firms and small firms in economy as a reflection of the relative efficiencies of hierarchies and markets in reducing transaction costs. In his classic work, Coase (1937) argues that outside the firm, price movements direct production, whereas within a firm these market transactions are eliminated and replaced by the entrepreneurs as co-ordinators and managers. Large firms emerge to control and exercise power over others. A firm consists of the system of relationships which comes into existence when the direction of resources is dependent on an entrepreneur.

The micro-economic literature on organization, market and hierarchies are not sufficient to understand internal dynamics and economics of small firms. They do not

explain some of the most crucial aspects of small firms that rely on entrepreneurial networks, face-to-face contacts and the role of family and friends. As Lazerson (1988; 1990) also points out, Williamson neglects the importance of high levels of trust and personal relationships among business people. Much economic activity is underpinned by long-established and stable networks of personal relationships between small firms. Thus cultural and institutional forces and personal relationships are important to understand the market relations of small firms. There is evidence that the more continuous and long the duration of exchange relations between economic agents, the less likely is the need to formalize them legally. Thus, network relations between small firms bring flexibility and operate in a different manner from the hierarchial organizational forms usually described in micro-economics.

In the light of this discussion, this thesis formulates two analytical levels for assessing the nature of small firms. First, it assesses the role of the basic factors of production in a firm: land, labour and capital. Production factors and organizational structure are integrated differently in small firms. Although small firms differ greatly; to the smallest, virtually all firms have at least one thing in common: they are managed personally by the people that own them. The essential characteristic of a small firm is the people that run it as they bear the risks of the enterprise (Bannock, 1981).

This leads us to the second analytical level, assessment of the economic relations of organization of SMEs that govern and assist them through social, family and business relations. This second level concentrates on the human aspects that affect the small firm and its market relations. There are a series of reasons behind this approach. First, the extent of human assets are greater in small firms than capital and assets. Second, the internal organization is not elaborate and specialized as it is in large businesses; it depends on a simple or small number of personalities. Third, small firms are seen a source of income and employment for families of those involved. This often dominates the economic relations in small firms. Fourth, the share of a small firm in the market and its control of market changes is very small. Control of the uncertainty and external conditions is

therefore very low in small firms. Consequently, entrepreneurial networks, family and friends become very much important in the survival of small firms, as shown in this thesis. The importance of social ties in the day-to-day practice of small firms emphasises cultural values, customs and traditions. These mechanisms replace the managerial and organizational control of large firms and provide opportunities for growth and survival for small firms in various niches of local and regional economies.

In this structure the geography of inter-firm relations and physical proximity is very important. Agglomeration of small firms in business sites and inner city areas offers external economies and provides a base for peer-support, friendship and supportive business networks among small firms. Similarly, face-to-face contacts among businessmen, bureaucrats and leaders of business associations in the same city are all very important, especially since verbal communication is often more important to SMEs than formal contracts. In addition, many small business owners set up their firms in the city where their social and family relations are. There is usually a low level of spatial mobility among small businesses. This derives from the capital formation of small firms in which entrepreneurs largely utilize personal and family assets.

In conclusion, this thesis follows two overlapping analytical frameworks for small firm research. These come from the particular aspects of small firms, as simplified in Diagram 2.1 and 2.2. These two sets of formulations suggest that there is a co-existence and interplay between economic factors and human factors in small firms which is much more than large companies dominated by a structured organization. The economic management of small firms rely on individuals for survival and growth. Similarly, the cultural context, local values and associations, such as family, ethnicity and religion, not only emphasise the importance of human factors in the economic units but probably also shape the type of relations and the form of network ties.

Diagram 2.1 Organization of economic factors in small firms

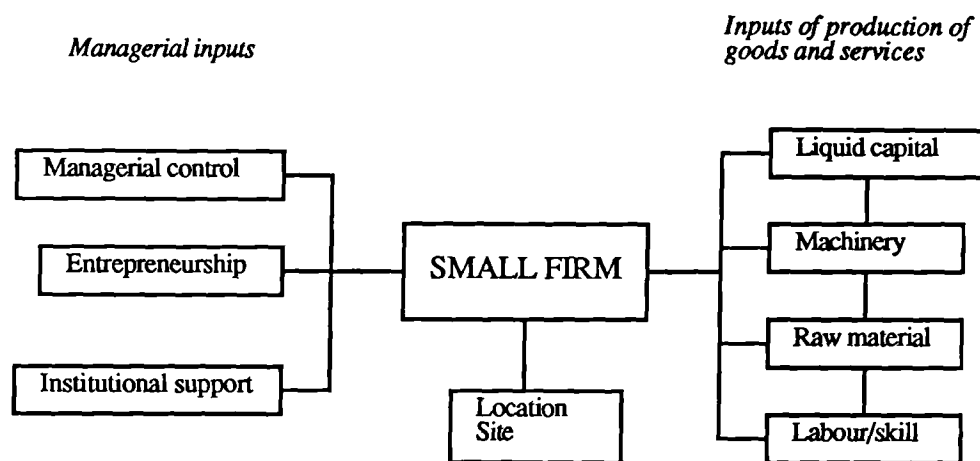
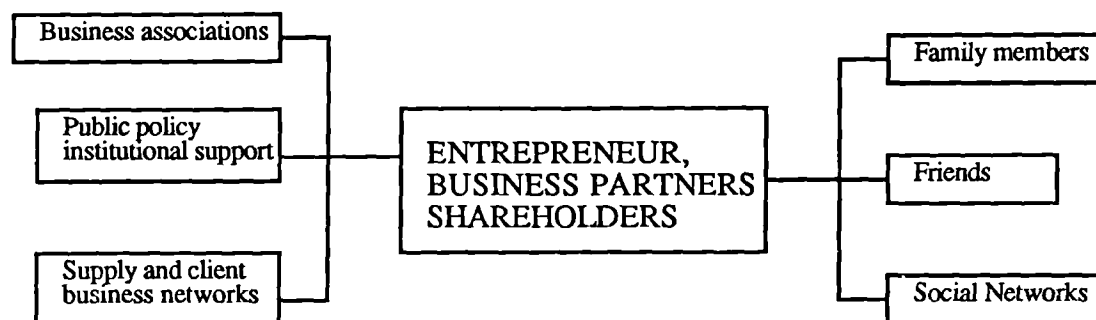


Diagram 2.2 Support mechanisms and human factors in small firms



2.4 THEORETICAL APPROACHES TO SMEs

There is a wide range of theoretical formulations and empirical analyses concerning small firms. Although there are intersections and common grounds among these approaches, they can be classified in four major groups. The first group of approaches analyses small firms in relation to the macro-economic structure and its development. In this group themes, the increasing importance of small firms is argued to be due to new forms of economic and technological transformations in the world capitalist economy following the economic crisis of the 1970s (Piore and Berger, 1980; Piore and Sabel, 1984; Aydalot and Keeble, 1988; Leborgne and Lipietz, 1988; Amin, 1989b; Harvey, 1989; Wood, 1989; Hirst and Zeitlin, 1991). Leading theoretical formulations are flexible specialization, post-Fordism or post-Taylorism and post-Modernism (Table 2.1 summarizes the three mainstream approaches).

The second set of formulations namely, artisanal works, petty-commodity production and dualist approaches, consider small firms as a function or outcome of underdevelopment in the third world countries. The debate over the relative role of the formal informal sectors and dualistic practices in developing countries has long been studied. In contrast to the advanced economies, in developing countries small firms are often regarded as backward and traditional forms. However, this relatively old debate has been revised following the recent changes in the world economy (Bademli, 1977; Gerry and Birckbeck, 1981; Breman, 1985; Bromley, 1985; Lewin, 1985; Friedmann, 1986; Rosebery, 1986).

The third type of analysis is based on micro-economics, and the social, psychological and anthropological aspects of small firms. A series of issues are opened in these discussions, concerning small firms namely; the micro-economic analysis of small firms (Lucas 1978; Bannock, 1981; Brock and Evans, 1986: 1987; Acs and Audretsch, 1990a; Lazerson, 1990; Storey 1990; Pratten, 1991), the labour practices, technology and capital structure of small firms (Carlsson, 1984: 1990; Wood, 1989; Contini and Revelli,

1990; Dunkelberg and Cooper, 1990; Keeble et al.1991a), and the entrepreneurship and its personal and cultural domain and social classes in SMEs (Shapero, 1975; Bechhofer and Elliott, 1981; Storey, 1982; Watkins, 1982 ; Birley, 1989; Wood, 1989; Baumol, 1990; Holmes and Schmitz, 1990).

The fourth group combines the small firm and local economic development in a policy oriented approach. SMEs are seen as a central motive of the bottom-up policies and capacity building strategies in restructuring old industrial centres and the promotion of local development in rural-peripheral areas (Stöhr, 1990; Vázquez-Barquero, 1990; 1992; Bennett, 1991; Garofoli, 1992; Bennett and McCoshan, 1993).

2.4.1 Flexible specialization and post-Fordism

There are two mainstream approaches. These are post-Fordism (including post-Taylorism, post-modernism) and flexible specialization. Their common ground is their emphasis on the implementation of new technologies and management techniques, consumer tastes, flexible use of labour, and the decentralization/externalization of activities of large companies.

Fordism is defined as mass production and consumption organised through large firms and organizations. It is connected with Keynesian economic policies and regulatory control of national governments over economic affairs. It is argued that serious problems within Fordism began in the mid 1960s. There were problems with the rigidity of long-term and large scale fixed capital investments in mass production systems that precluded much flexibility of design and presumed rigidities in labour markets. Strikes and labour disruption occurred widely in the period of 1968-72. In the light of these problems flexible production was encouraged as a new form of production and capital accumulation (Schoenberger, 1988; Piore and Sabel, 1984). Taylorism is defined as a management strategy which aimed to have tight pre-set specifications of task embedded in a high division of labour. Present concerns with the flexibility herald a rupture with the past

domination of Taylorist and Fordist methods, themselves often automatically associated with mass production and minimum control of workers over the production process.

Flexible specialization is most fully theorized by Piore and Sabel (1984) within international economic cycles and national economic policies. They argue that the superior capacity of flexible and specialized firms to accommodate changes in the level of composition of demand makes macro-regulation less vital than in mass production. Flexibility refers to an ability to survive, and an artisanal capacity to respond to new design requirements and new market signals with fragmented and flexible use of labour in small firms. It is connected with the decentralization of national economic power, increasing regionalisation and increasing emphasis on local cultural structures. Piore and Sabel (1984) argue that mass production may migrate to underdeveloped countries, while advanced economies increasingly shift to flexible specialization. However, some researchers suggest that flexible specialization might offer an attractive route to economic development also in the third world (Hirst and Zeitlin, 1991).

Despite their apparent similarities, flexible specialization and post-Fordism represent sharply different theoretical approaches. Post-Fordism sees productive systems as integrated and coherent totalities (Amin, 1989b; Hirst and Zeitlin, 1991). Post-Modernist flexibility on the other hand is dominated by fiction, fantasy, fictitious capital, images, flexibility in production techniques, labour markets and consumption niches. Flexible SMEs are highlighted as a form and symbol of flexible accumulation in the post-Modernist era (Harvey, 1989).

Another approach comes from the French regulation school. It seeks to combine the flexible specialization approach within the systematic nature of capitalism as a mode of production. The regulation school distinguishes four major regimes of accumulation in the history of capitalism: extensive accumulation, intensive accumulation without mass consumption (Taylorist), intensive accumulation with mass consumption (Fordist), and post-Fordist accumulation (Leborgne and Lipietz, 1988).

Critics of post-Fordism and flexible specialization argue that Fordism and Taylorism are experiencing a process of transformation and restructuring, termed neo-Fordism. Increasing independence of regional economies with flexible specialization does not eliminate their vulnerability to external shocks. Wood (1989) argues that there was considerable flexibility in Fordism. It was never applied as rigidly as the stereotype suggests. There are two basic questions: (i) was there really ever a choice for the production of mass consumer products between craft-type and industrial engineering methods, and (ii) was Fordism ever so dominant as is claimed? The rise of new technologies, such as numerically controlled machines in manufacturing, are not alternatives to Taylorism as they can be argued to be designed to arrest any remaining autonomy and control by skilled workers. Post-Fordism and regulation theories depend too much on generalities rather than on empirical evidence (Wood, 1989; Hirst and Zeitlin 1991).

Table 2.1- Characteristics of Fordism, flexible specialization and petty commodity production

	Fordism	Flexible Specialization	Petty Comm. Production
Labour	Medium skilled Rigid tasks Stable contracting	Low and high skills Diversification Flexible use of labour	Craft and artisanal skills Master-apprenticeship Flexible use of labour
Capital	Large	Large and medium capital vary by size	Small
Technology	Product standardization Special purpose machine High volumes	Specialized-changing products Flexible general purpose mach. Wide & changing variety	Specialized products Old machinery Small, discontinuous volumes
Market	Economies of scale Mass consumption Hierarchical control	Economies of scope Flexible and rapid response Vertical disintegration Increasing density of interfirm connections-networks	Economies of specialization Orders, customer demand Localized interfirm relations Dependent/quasi-integrated
Spatial form	Massive industrial aggregation in the core areas, around metropolises	Dispersal towards periphery Spatial agglomeration of firms Territorial disintegration	Concentration in & around city centres
Firm size	Large	Large and small	Small

2.4.2 Petty commodity production and the dualism debate

Petty commodity production and dichotomic approaches (ie. informal-formal, modern-traditional, artisanal-factory) are mainly discussed in the case of third world cities. The modern capitalist sector is too weak to absorb the unskilled labour stock in these countries or provide necessary goods and services. Self-employment, the informal sector and other forms of small businesses are thus seen as the product of the weakness of capitalism and as a historical outcome of colonialism (Gerry and Birckbeck, 1981; Lewin, 1985). However, in recent years this debate has turned to the structure and role of these sectors in the urban economy. There has been a new way of looking at small firms and the promotion of SMEs in developing countries as agents of economic development (Lewin, 1985; Bromley, 1985).

Petty commodity producers represent a heterogeneous social formation. Friedmann (1986) suggests that many simple commodity production enterprises are also family enterprises. Lewin (1981) argues that petty production is not eliminated because dominant capitalism is not inclined to invest or is not capable of competing. The avenues open to expansion by petty commodity production are argued to be those not yet profitable for capitalist production. They are a product of a historical process of colonialism and dependent capitalism in the periphery and characterized as subordinate, dependent, and transitional.

In the duality debate there are formal-informal, modern-traditional, factory-non-factory, and capitalist-non capitalist dichotomies. The basic argument is that underdevelopment creates specific structures, different from capitalism and from each other. The informal sector is characterized by low capital intensity, a low level of productivity, a small and usually poor clientele, a low level of formal schooling, intermediate technology, preponderance of family labour and ownership, and a lack of support and recognition on the part of government. The character of the informal sector is typified by fluctuating and discontinuous employment and a dual transition from

employment to unemployment (Breman, 1985). The informal sector is a collection of petty trades and services in urban and rural labour markets.

The dualism that is argued to characterize underdevelopment has points of similarities between developed and developing societies. There are also similarities between the informal sector in developing countries and the traditional sector in developed countries. Piore and Berger (1980) argue that the informal sector in developing countries and the traditional sector in developed countries have much in common. Similarly, Bechhofer and Elliott (1981) analyse petty commodity producers in the third world and traditional sectors in industrialized countries within the same debate of small ownership and petty property.

Piore and Berger (1980) points out that the number of small family enterprises in many advanced countries remain significant. Their pattern of survival suggests that the role of the traditional sector in modern societies is far more important than has often been thought. There is a class of small independent property owners, namely farmers, shopkeepers, artisans, and certain small and medium businesses. This sector is shaped by specific values, attitudes and perceptions. However, the notion of survival of traditional groups does not imply that any given "traditional" firm or set of firms is always old.

The traditional sector has important functions in society. First, it provides a range of products that customers desire, but that modern firms do not produce. Second, it has kept a significant fraction of the workforce employed and discouraged labour militancy. Third, it contributes flexibility to economies that have become increasingly more rigid. Fourth, this sector is dominated as much by social and familial factors as by narrow economic ones. The social prestige of the small firm's owner is important in its locality. This sector also offers an element of political stability. The number of votes controlled by small, independent property holders and families often plays a vital role in preserving social and political stability.

Although this debate sheds some light upon the third world cities at the periphery, these approaches have little validity in terms of SMEs in the Southern Europe. There are

different configurations and interlinkages in varying degrees between informal, traditional activities and SMEs in these countries. Similarly, certain characteristics of the petty commodity production and dualist debate show similarities with flexible production. However, they remain static and rigid with little capital to grasp the changes in the production system and labour market. Subcontracting, the market niches opened up by the neglect of large firms, and the friction of distance for the large capitalist enterprises not only enable small firms to survive together with large companies in metropolitan areas and small towns, but also increases their diversity in size and sectoral formation.

2.4.3 Theories of micro-economics and social, anthropological analyses

There is a wide range of studies in the field of small firm economics, entrepreneurship and labour market. The dominant discussion is centered around competitiveness, innovativeness, job creation and growth and survival in the SME. The focus is frequently on the internal dynamics and peculiarities of small firms. A series of social, anthropological and psycho analytic analyses of small business entrepreneurship have been given a special focus in these works. The empirical bases of these studies has been dominated by the experiences of advanced economies. In the assessment below the literature of these studies is reviewed to highlight the main issues about SMEs.

The economics of small firms: growth, survival, competition

Analyses of small firm economics usually focus on dynamics of growth and survival and business formation. Storey (1990) suggests that small firms are not simply "scaled-down" versions of large firms. Gibrat's Law, which indicates that firm growth is independent of firm size, has been used, for example, as the basis for a number of theoretical formulations. Evans (1987a; 1987b) concluded that Gibrat's Law must be rejected for smaller firms. He also showed that firm age is an important determinant of its

dynamics. However, this study indicates that the relationship is non-linear so that the growth/size relationship varies over the size distribution of firms.

Analyses of small firm economics indicate that there are a set of parameters that are significant in determining growth and survival, age, size and ownership structure. The network of relations of small firms to each other and to larger firms has also been regarded as a significant element for survival and growth replacing organizational structures of large firms. The case of the networks between firms in Third Italy has been shown to be an important contribution to the success of the firms (Trigilia, 1989; Lazerson, 1990).

There is also a life cycle pattern of firms' growth and success. Brock and Evans (1986) argue that business formation, dissolution and growth in small firms have different dynamics from larger firms and are related to the entrepreneurial strategies in the market. The probability of firm failure and the variability of firm growth decreases as firms grow (Evans, 1987a; 1987b). However, there are discontinuities between new business formations, failures, and successes. Basic features of success are determined by the struggle for survival in the market, achieving economies of scale and the level of managerial energy and ambition associated with founders. The creation and subsequent closure of a firm may merely be a part of the small entrepreneurs' way of searching out new profitable opportunities. Therefore, there is a distinction between business failure and entrepreneurial failure (Boswell, 1973; Storey, 1990).

Employment creation in small firms has been widely discussed in the literature. Birch (1979) argued that the rate of growth of jobs in the US economy has been higher in SMEs than large firms. However, there are no conclusive evidence about the size of employment created in small firms. Nevertheless, the relationship between firm size, wages, and employment has become increasingly important as a form for small firm studies. Analysis by Evans and Leighton (1989) in the case of the US has shown that there is a size-wage-mobility relationship. According to this study wages increase with firm size. Worker turnover decreases with firm size: larger firm workers have longer tenures and are less likely to change jobs. Better educated and more stable workers are in larger

firms. In this field of the discussion Lucas (1978) proposes a new theory of size distribution based on managerial talent. He concludes that rising real wages will make working for someone else more lucrative than the return to making managerial decisions for a single small business. Storey (1990) supports this argument for the new firm formation. He argues that the decision to be self employed depends upon the expected value of the individual's income compared with working as an employee.

Entrepreneurship in small firms

The characteristics of entrepreneurs in small firms attract many studies from different fields. Among the various definitions of entrepreneur, there is a general agreement on three characteristics. The entrepreneur is characterized principally by risk taking, innovative behaviour and profit seeking (Lewis, 1985; Hèbert and Link, 1989). Birley (1989) defines the small business owner as an individual who establishes and manages a business for the principle purpose of furthering personal goals. The business must be the primary source of income and will consume the majority of the individual's time and resources. Most of the definitions of entrepreneurship are linked to the nature of the ownership of the small firm. For example, Scase and Goffee (1982, pp.23-27) argue that there are four types of small business ownership within the entrepreneurial middle class: self-employed, small employers, owner-controllers, owner-directors.

Self-employed formally employs no labour. They are, however, generally dependent upon the unpaid services of their families and the utilization of domestic assets for business. Many regard themselves tradesmen rather than businessmen. Many self-employed become proletarianised.

Small employers work alongside their employees and in addition perform administrative and managerial tasks. Directly involved in the production of goods and services. The family and domestic life are an integral, inseparable part of the business enterprise. Only a minority are able to accumulate sufficient assets to become owner controllers.

Owner-controllers do not work alongside their employees, but instead, are singularly and solely responsible for administration and management of their business. The unpaid family worker is no longer significant. However, enterprises of this sort are usually family owned. Unlike the self-employed small employers, owner controllers depend primarily upon personal managerial and financial expertise.

Owner-directors control enterprises within which there are managerial structures. Administrative tasks are sub-divided and delegated to executive directors and other senior staff. The owner is no longer able to perform personally all the functions of supervision and control. All owner directors confronted with a common problem; the need to delegate control and yet retain personal ownership.

Most small firms are directly controlled by their owners. This combines ownership and management. Usually there is a strong control over the ownership and management by a dominant individual. The previous job experience of entrepreneurs is found to be crucial for survival and growth (Birley, 1989). Boswell (1973) showed that one third of the UK firms examined originally sprang from partnerships between (mostly unrelated) individuals. However, small firms often have problems of inadequate management.

Motivations and personality analysis and social backgrounds of entrepreneurs have also been studied (Shapero, 1975; Pandey and Tewary, 1979; Brock and Evans 1986). Shapero (1975) argues that most entrepreneurs are displaced persons who have been dislodged from familiar niches. Bechoffer and Elliott (1981) analyse the continuity of small business entrepreneurship in the context of social class and small property ownership. This culture includes two interrelated aspects: first, the entrepreneurial orientation of the local population, second the distribution of entrepreneurial characteristics amongst local institutions (Trigilia, 1989). Stöhr (1990) argues that it is the "social entrepreneur" who leads the local economic development.

Baumol (1990) challenges the stereotyped definition of innovative entrepreneurship by arguing that there are productive, unproductive and destructive aspects of entrepreneurial activities. Empirical evidence from the UK and the USA shows that small

retailers interviewed lacked experience in the line of business they chose and there is only little evidence of innovation and creativity (Kirkby, 1986; Wicker and King, 1989).

Similarly, the lack of strong entrepreneurial spirit among small firms has also been noted in other studies in Southern Europe (Lewis and Williams, 1987; Ayata, 1991). Silva (1992) pointed out that there is imitation rather than innovation among the Portuguese small firms.

Role of family, friends and business-networks

Local cultures, kinship, and friendship relations are important influences on small business structures. There is strong evidence that new firm formation, survival and growth have been supported by family and friends. While formal institutions provide very little capital for new companies, most venture capital comes from the entrepreneur's own resources, family and friends. Partnership structures among family and friends are commonly observed among small firms in different cultures. They not only contribute to the firms assets but also provide unpaid employment as well as management control over the business (Dubetsky, 1976; Scase and Goffee, 1985; Dokopoulou, 1986; Hitchens and O'Farrell, 1987; Lewis and Williams, 1987).

The complexity of social networks is often emphasised as an important aspect of small communities and kinship relations (Barnes, 1972). Recent studies show that these have an important influence on business networks and the social contacts of the entrepreneur in small firms. Although it has not been much analysed, network relations among firms have been found to be crucial for the survival, success and diversity of small firms in local markets (Birley, 1989; Lazerson, 1990; Curran et al., 1993). This arises from the question of trust for small firms; there is low confidence towards outsiders. Small firm owners do not usually hire a manager because of the importance of ownership. Therefore, a closed network of trusted people, business friends and family are at the centre of small business practices (Lazerson, 1990).

The family background and occupation of parents have also been found to be determinants of business formations. Some studies found that small firm entrepreneurs come from families of free professionals, independent artisans or farmers (Shapero, 1975;

Curran, 1986; Del Monte and Giannola, 1986). Bechhofer and Elliott (1981) consider small businesses owners and the self-employed to be surviving forms of the traditional sector. In this view, from generation to generation the petty-bourgeoisie reproduce themselves but it also gets "new blood" from all ranks of the society. Scase and Goffee (1982) include small firm owners in the entrepreneurial middle class.

Technology and Labour market

Aydalot and Keeble (1988), Acs and Audretsch (1990a; 1990b) and Wood (1991) bring an insight to the SME development under changing production technology and employment and labour practices. The restructuring of regional and local economies in the advanced countries has been through new technologies, labour practices, and innovative local environments. Keeble (1988) shows that high-technology increases the importance of small firms despite the continuing domination of large firms in various sectors of the manufacturing. Small firm growth and new firm formation have played a significant role in the advanced countries and their regional economies. It is argued that flexible specialization through network relations increased the competitive power of small firms through new technologies and network relations.

Acs and Audretsch (1990b) argue that mean plant size has tended to decrease the most in those engineering industries where there has been the greatest technological achievement. The historical scale disadvantage of small firms is disappearing through a series of substantial changes in production and organization structures. First, numerically controlled machines were available and used by small firms in the 1970s and early 1980s. Researches in the UK and The Netherlands showed that these machines had spread to small firms as well as large firms. Second, greater competitive pressure and turbulence has reduced profitability and has forced companies to reduce the amount of capital tied up in their operations. Flexible production has enabled smaller scale firms to attain lower costs more rapidly. The break-down of the mass production system also formed the incentives for the evaluation of newly structured enterprises. Third, under the institutional and

technological changes, vertical decision making has been replaced by more decentralized organizational structures.

However, this is not an easy pattern for small firms to follow. Carlsson (1990) argues that broadening the technological base of industry is not easy to achieve by individual SMEs. New technical and managerial skills are required which smaller firms often find difficult to obtain. In addition, a domestic machine tool industry is often necessary for user industries in order to assimilate new technologies. In developing countries the lack of domestic production of numerical control machines and computer aided machinery is an important barrier for the technological improvement and innovativeness of small firms.

Boswell (1973) points out that there are large clusters of small firms in many less prosperous and declining industries. It is often argued that in these less efficient and dynamic industries small firms act as barriers to change. In the EC some studies have produced evidence that small firms are generally at a disadvantage in terms of raw material prices, ability to hold stocks, technical and market information and various management techniques (Cechhini, 1989; Storey and Johnson, 1987c). As far as technology and innovation are concerned, the evidence is not conclusive as there are also successful cases such as "network industrial organizations" in Japan, and the flexible organization of firms as in Third Italy. Wood (1991) argues that flexible types of organization and control have directed manufacturing and service activities away from old industrial and urban areas. Flexible accumulation may thus be seen as dominated, not by the contract between capital and exploited labour, but by that between capital and expert labour.

Labour mobility, in combination with learning on the shop floor, may be an effective instrument for the diffusion of manufacturing techniques. Geographical proximity is a positive factor for successful collaboration. Employees in small firms are hired and fired easily. Informal arrangements are made between owners and employees, and people are recommended by other firms and friends (Lazerson, 1990). There is an absolute

control by business owners in small firm employment-employee relations. Fragmented labour markets and the flexible use of labour minimize the effect of labour organizations.

Gender relations and labour market characteristics also influence small firms. Although considerable evidence shows that female workers are growing as a proportion of total employment, the sex-typing of jobs and the influence of patriarchal values, with varying degrees in every society, still limit opportunities for women. They cannot take up small firm entrepreneurship and employment in some male dominated sectors (Cockburn, 1988; Walby, 1988). There is a little evidence of growing female entrepreneurs even in advanced countries, but it is argued that groups that are "protected" or made to feel dependent, as are racial minorities and women, do not usually produce their quota of entrepreneurs (Shapiro, 1975; Watkins, 1982). As a result, as Wicker and King (1989) indicate, businesses owned by women and minorities tend to be concentrated in the retail and personal service sectors.

2.4.4 Small firms and local development

Recent studies of local development suggest that indigenous development, local development agencies and entrepreneurship can be important mechanisms for economic development for local people. Local economic development is defined as a local initiative using mainly local resources under local control for predominantly local benefit. The benefits should be distributed broadly within the locality. Small firms have been given an important role in this bottom-up development. The leading studies of local economic development focus on European regions such as the LEDA (The Local Employment Development Action) programme of the European Community (Bennett, 1991) and European Perspectives Project (Stöhr, 1990).

Despite their differences, these approaches emphasise the necessity of building a local capacity to cope with new market changes and global competition and technological changes. This should be a rapid adaptation and flexibility in the decision-making of firms and local agents. Small firms are given a central role in this system with their strong ties

and reliance on the local inputs. This approach is debated in the semi-periphery of Europe. In the context of Southern European countries, there has been a growing interest in endogenous local development both by governments and researchers. Studies show that the role of SMEs in the economic development of both rural and old industrial areas is significant. Evidence from Portugal, Greece and Spain shows that a new series of medium-sized towns have been growing largely due to the growth of indigenous SMEs (Vázquez-Barquero, 1990; Garofoli, 1992; Hadjimichalis and Vaiou, 1992; Silva, 1992).

Similar debate has occurred in the third world for different reasons. Small businesses, under different definitions (small industries, cottage industries, etc.), have been promoted in rural and urban areas for economic growth and employment generation. Staley and Morse (1965) suggested that small industries could encourage industrial decentralization and improve the regional balance of economic growth. There has been a continuity in this debate since small firms have been the only local assets of many third world towns. However, the achievements of policies and programmes in these countries has been limited. They have tended to be imposed by central governments and international organizations rather than being driven from below. Training schemes, financial credits and other policies have been delivered through central agencies, with very little local understanding of the scope for take up.

A novel part of this debate is the increasing role that can be played by local/regional governments together with the decentralization of central power and capacity building at local level. Local people and governments gain the control of their economic prospects. There has been a new emphasis on small and medium sized towns as new spatial forms of indigenous development. Until recent years, regions and localities have relied for their development on large-scale enterprise and central government policies. Local action has been seen as an alternative solution to these approaches.

2.5 SMEs IN THE SOUTHERN EUROPE SEMI-PERIPHERY

SMEs play an important role in all Southern European countries. The statistical evidence indicates that in all countries, 90-95% of all firms are under 50 employees (see Table 2.2). The size distribution indicates that the economy of Turkey is dominated by small firms employing fewer than 10 workers. Their share in the total number of firms is 95.3%, and 98.8% of firms have under 50 employees. Except in the case of Italy, the Southern European countries have experienced late industrialization compared to North Europe. Despite the importance of SMEs, however, throughout the economic development and industrialization policies of the 1950s and the 1960s, the emphasis has been on the large firms in the state and private sectors. Pursuing predominantly import substitution policies, small and large firms have been directed to the internal national market.

An opening up of world trade has occurred during the 1980s. Democratization and EC economic integration has also played a crucial role in this process. As these changes have occurred, small businesses such as artisanal and traditional workers have continued to maintain their influence not only in the economy but in the society of these countries. The survival of family businesses has created employment and income for their members and filled many of the gaps left by the limited opportunities offered by larger firms. However, the SMEs have mostly remained very small and uncompetitive in international markets. Only in Italy have SMEs had a major export-oriented impact or growth, mainly in traditional sector consumer goods. Some selected case studies across these countries offer an insight to structures and differences between SMEs in Southern Europe.

Table 2.2- The distribution of manufacturing plants by size in Southern Europe

	1-9	Size categories by the number of employees (%)		
		10-49	50-99	>100
GREECE (1978)	93.3	5.5	0.6	0.6
ITALY (1971)	86.1	10.9	1.6	1.4
PORTUGAL (1971)	78.9	15.9	2.6	2.7
SPAIN (1978)	76.6	18.5	2.5	2.4
TURKEY (1980)*	95.3	3.5	1.2	

Source: Uneven Development in Southern Europe (Hudson and Lewis, 1985), pp.200.

* Firm size is defined as 1-9, 10-49, and 50-over. Source: Küçük Sanayi, The State Planning Organization of Turkey (SPO), 1989.

There are few empirical studies concerning Southern European small firms. Particularly, there is a lack of research for Greece, Portugal and Turkey. However, present empirical studies on Portugal (Lewis and Williams, 1987; Silva, 1992), Greece (Dokopoulou, 1981; Hadjimichalis and Vaiou, 1992), Spain (Vázquez-Barquero, 1990; 1992) and Turkey (Çınar, et al., 1988a; 1988b; Aktar, 1990; Ayata, 1991) provide some information about some characteristics of SMEs in these countries (see also Stöhr, 1990). These studies show that there are different patterns of SME development across the countries, but that there are also some common experiences, such as strong family involvement and a lack of modern technology in small firms.

Italy is the best-known example of the successful growth of SMEs. The regions in Italy with the highest rates of growth are those dominated by small firms producing consumer and fashion goods (Lazerson, 1990; Trigilia, 1989; Amin, 1989b). A series of factors are considered important in the growth and success of Italian small firms. The role of particular social factors such as extended family, local community, rural-urban interpenetration and local political subcultures have been indicated as the key positive influences on SMEs (Triglia, 1989; Amin, 1989b). The origins of this new industrial entrepreneurship are located in the dynamics of a recent agricultural history in which a large number of small peasant households were farming not only for subsistence but were also producing cash crops for the market. Decentralization of production units into rural areas also brought a rural-urban integration (Camagni and Capello, 1990).

In contrast to Italy, Spain as a late industrialising country had a closed economy for decades. Industrial diffusion only started in the 1960s and the 1970s. However, SMEs represent a large and growing part of the Spanish economy. Some two-thirds of industrial employment is provided by SMEs and about three-quarters of service jobs are in SMEs (Storey and Johnson, 1987c). However, many SMEs are very small, particularly in the service sector (fewer than 5 employees). There is also a considerable variation in the distribution of industrial SMEs between sectors and regions in Spain, with activities such

as wood products, clothing and mechanical machinery providing a large employment share in the economy. In recent years SMEs have been seen as agents of local economic development in Spain. Vázquez-Barquero (1990; 1992) suggests that the current industrial expansion and growth in small and medium-sized towns is associated with SME formation and growth in Spain. This has also been emphasised in other Southern European countries. Research findings indicate that this is a new trend in which endogenous growth is principally based on the medium-sized cities which is largely due to the impact of SMEs.

Portugal, Greece and Turkey show a great deal of similarity in terms of their structures. They each have weak local economies and strong regional disparities, late industrialization, and an undeveloped small firm sector. Lack of SME development in rural areas has been required in each case as one of the obstacles for economic development, employment creation and diffusion of technologies. Portugal's economy is largely dominated by very small firms. A comprehensive study of Lewis and Williams (1987) shows that there are deep structural differences between Portuguese and Italian experiences. Among Portuguese small firms, the development of flexible specialization could not be observed. Local subcontracting and input-output relations among small firms were found to be weak. The use of foreign technology was common.

There is also little evidence to suggest that firms in rural parts of the Portugal's central region have locked into a system of production, distribution and subcontracting. Local entrepreneurship appears as the principle source of business creation. There is also evidence of continuity between previous work experience and the current job of the entrepreneur. There is male domination with a youthful profile. Another particular characteristics is the economic viability of *minifundio* agriculture. State support in agriculture has been towards the large farms whereas increasing division of *minifundios* into smaller plots have made many holdings uneconomic. Therefore, second jobs linked to agricultural work on a part time basis like Italy have not widely occurred in Portugal. However, there is also some evidence which suggests that part time jobs in agriculture together with urban employment occur in the Portuguese villages (Bennett, 1986).

Greek SMEs have similar features to Portugal although the scope of studies does not quite match. In both countries metropolitan centres attract most economic activity including SMEs. There is also a growing tendency for a high rate of large firm formation in both countries. Dokopoulou (1981) argues that small-scale manufacturing shows low productivity within traditional labour intensive methods. Family support and initiative are vital for the survival of small scale manufacturing since self-employed and unpaid family members constitute a substantial part of the SME personnel. There is little evidence showing a rural-urban integration and small business development although there is decentralization from metropolitan areas. Peripheral areas have poor infrastructure, accessibility and lower rural incomes which are not suitable for SMEs growth and survival.

2.6 TURKEY IN THE SOUTHERN EUROPE SEMI-PERIPHERY

Southern Europe is defined here as countries of Greece, Italy, Spain, Portugal and Turkey. Each country has similar geographical position and distinctive characteristics in comparison with countries of Northern Europe. In some studies Turkey is not considered as a part of Southern Europe since it is not a full member of the EC. It is often argued that its different religious and cultural character is overwhelming (Williams, 1984). However, Turkey is an associate member of the EC and a part of Southern Europe semi-periphery in an economic sense. It is therefore appropriate to relate Turkey to the more general trends in Southern Europe. The concept of semi-periphery is used here for defining geographical, political and economic position of the region and its countries in the world system, particularly in Europe. It refers to the proximity to advanced economies and to the level of integration into the global economy. These countries also have other common political and economic features. They are all young democracies. In the economic field there is a domination of the state enterprises together with a significant small firm sector, and small firms have been an important element of their economic development since the 1970s.

Turkey's unique geographical location between Asia and Europe and at the edge of the Middle East gives it an historical and cultural distinctiveness which blends both Islamic

and modern cultural aspects within a secular democracy. In economic analyses, Turkey is often compared with newly industrialising and Latin American countries. Nevertheless, this study argues that it is more relevant to analyse Turkey in the Southern European context due to its common characteristics with these countries (see also Hudson and Lewis, 1984).

Recent developments in the Southern European countries have brought them closer to advanced economies as a result of their integration process within the European Community. However, while Italy and Spain are among the largest economies of the world, Greece and Portugal remain far behind. Turkey with its large economy and population appears in many ways to be closer to the cases of Portugal and Greece.

2.6.1 Economic integration and external relations

Labour migration to the North-West European Countries from Southern Europe, foreign investment, and tourism have long been three basic components of Southern European countries' external economic relationships. These together with EC trade and economic policies have led the way towards the integration and rapid economic development of Southern European countries as the semi-periphery of the advanced economies of the North. Consequently, their exports started to grow and industrialization gained momentum. The democratisation of the Southern Europe has accelerated their economic growth and political and economic integration under EC policies. Some of them have even succeeded in wholly integrating with advanced economies, as in the case of Italy and for much of the Spanish economy. However, this integration process has been slower for Turkey, Greece and Portugal for different reasons.

Remittances of migrant workers have long been an important source of hard currency for the governments of the Southern Europe, and particularly for Turkey and Portugal. However, since the shift to an export-oriented economy in Turkey in the 1980s this situation has changed dramatically. In 1981 the remittances of migrant workers as a percentage of export earnings was 53.2% for Turkey and 69.8% for Portugal and 27.4%

for Greece. By 1988 Turkey had far less dependency, compared to Portugal and Greece, in terms of remittances as a percentage of export earnings. The percentage dropped to 15.1% for Turkey and 33.1% for Portugal while it showed an increase (31.0%) for Greece (Dicken, 1992).

Foreign investment is another element of the Southern European integration process with the advanced economies. In terms of foreign investment Turkey has similar experiences with Portugal and Greece. Spain and Italy have attracted most of the United States, British, Canadian, German and Japanese investment directed to Southern Europe. This development in Italy and Spain has been encouraged by two factors. First is the size of their domestic markets, and second is the support of government and native large capitalists and their capacity to collaborate with the foreign partners. The Turkish statistics indicate that, especially after 1985, Turkey has had an increasing rate of foreign investment. It has mainly attracted investments from the EC countries, the United States and Japan. According to figures of the Turkish State Planning Organization, the United Kingdom, the United States and Switzerland were the main countries increasing their investments in Turkey. There have also been some investments from the Middle Eastern countries, especially in banking and finance sectors.

Tourism has been another source of foreign exchange for Southern Europe. It has also contributed to the development of regional economies in Spain, Italy and Greece with millions of foreign tourists every year. International tourism has recently grown in Turkey, especially in the western Anatolia. However, the number of tourists visiting Turkey is still very low (7,2m in 1992) compared to that in Spain (55,3m), Italy (22m), and Greece (9,7m)¹. The long-term effect of tourism has been to encourage a growing number of SMEs in the service sector with increasing employment opportunities. Tourism offers job opportunities for young people from rural and urban areas. However, the seasonal aspects

1) These numbers were provided by the official tourist information offices in London (1993).

of the employment and the large scale economic fluctuations in this sector create a highly sensitive business atmosphere.

These three factors, migrant workers, foreign investment, and tourism have been the motors of economic integration.

2.6.2 Political integration and democracy

The effect of political changes on SMEs is important but not well analysed. Under democratic regimes, small firm owners and entrepreneurial classes have a chance to be active in local politics. They join local pressure groups in chambers of commerce, professional associations as well as political parties. They also speak up for local and business interests. The Southern European experience shows that the small firm sector has also survived and adapted throughout military and non-democratic regimes too. They were also supported by these regimes as agents of stability.

Southern European countries have young democracies. In Portugal there was a dictatorship under Salazar from 1926 to 1974. In Spain, Franco stayed in power from the 1930s to 1978. In Greece, a military junta stayed in power from 1968 to 1974. Only Italy has had relatively long democratic experience following the fascist Mussolini regime. However, Italy has been shaken by recent political scandals and held back by the role of the mafia and similar organizations. In Turkey military juntas have intervened in the political process several times. But after the 1970s other countries have been democratized process while Turkey had its second military junta. Only in 1983 has a civilian government been elected. The lack of democracy has severely damaged the external prestige of Turkey, while other Southern European countries rapidly integrated in the EC and strengthened their democratization process.

In foreign policy, EC-oriented policies have started to gain strength in all Southern European countries with a shift from USA-based foreign and economic relations. For Turkey this process has been different for several reasons. First, it is not a full member of the EC. Second, Turkey's strategic location in the Middle East has made it a key area for

both EC and USA interests, particularly during and after the Gulf war. The dismantling of the USSR, the Iraq and Iran war, the growth of fundamentalist and dictatorial regimes in the region have all increased and emphasised the importance of Turkey as a link or barrier between Europe and the politics of the Middle East and Asia. These developments have also given Turkey a role as a regional power.

2.6.3 Economic features

There are huge differences between the size of population and national economies among Southern European countries. Italy and Spain on the one hand, and Turkey, Greece and Portugal on the other are very different in their levels of economic development. However, there is a striking degree of similarity in GDP growth rates. Since 1960 they have all had higher growth rates than the advanced economies, with the exception of Japan. Their economies have been transformed, from purely agricultural and artisanal with state dominated industries, into rapid industrialization with a growing private sector. The increasing size of their exports and imports indicates the integration of Southern European countries into the world economy in varying degrees. Italy is the 6th (5.7%) and Spain 7th (3.8%) in the world league table of exports of commercial services traded (1989 figures). Turkey comes 23rd with the share of 0.9% and is followed by the former-Yugoslavia and Greece (Dicken, 1992).

Although there is a long history of manufacturing production in areas like Lombardy in Italy or the Basque country in Spain, these countries have generally experienced a late but rapid industrialization. Their industrial development has occurred in traditional sectors. But Italy and Spain also have an advanced industrial sector. Hudson and Lewis (1984) point out that early industrial developments had occurred in the sectors of agriculture, natural resources and textiles. Similarly, many small firms have developed in parallel to the traditional industrial sectors in Greece, Portugal, and Turkey.

One of the most important sectors in all these countries has been textiles and clothing. There has been a restructuring of different stages of production in these sectors

between the advanced and developing countries as a result of the changing technology of production and increasing competition. Dicken (1992) argues that technological change in the textile industry has been smaller and far less extensive. This has facilitated the competitiveness of less developed countries as a result of their cheap labour costs. Between 1980 and 1989 the Turkish share of world clothing exports increased from 0.5% to 3.0%. The share of Portugal was 2.5% (Dicken, 1992). Unequal income distribution among regions and social classes are another feature of Southern Europe. The size and the contribution of the "informal" or "shadow" economy have been important for the economies of Italy and Spain (see The Economist, 25/4/1992).

Small firms play important roles in the economies of Southern European countries due to two factors. First, the unequal development of infrastructure and strong regional differences sustain small business development. Second, large firms cannot fulfill the total demand of the domestic market. During the years of import-substitution policies these governments encouraged the growth of target industries with financial concessions and incentives, while the small artisanal and commercial sector was left alone and became effectively a subsidiary sector. Large state and private sector firms dominated the production of industrial goods for the domestic market, such as cement for construction, and iron and steel for domestic industry (car and/or other consumer durable goods and machinery production).

The small business sector has benefitted from growing industrialization and integration into the capitalist world economy. The development of functional specialization between firms in the traditional industrial areas of Italy and Spain has gone beyond the sphere of production and includes a good basic network of business services and banks that facilitates the growth of indigenous industrial capital and local development (Hudson and Lewis, 1984; Camagni and Capello, 1990).

2.6.4 Agriculture and land ownership

A polarized structure of agricultural land ownership is another common feature in the Southern European countries. It has had long-term effects on rural migration and the formation of labour markets in rural and urban areas. There have been growing service sector jobs in urban areas while marginal jobs and artisanal works have developed in towns and villages due to rapid migration. Urban centres have absorbed some agricultural employees in local government, transport and tourism. However, the available jobs have been limited in urban areas because of massive migration and population increases. Many self-employed people and small businesses have been formed by small capital owning peasants and artisans.

The dual system of agriculture, with *minifundia* and *latifundia*, has existed in Italy, Portugal, Spain and Greece for several centuries. In Turkey, however, land ownership and development of semi-feudal structures are rather new since the Ottoman empire did not allow any private land ownership. However, despite historical differences, a dual market with large land owners and small parcel farmers, share croppers or landless peasants still dominates the Southern European agriculture. Southern European agriculture remains dominated by small farms in Greece, Portugal, Italy and Turkey. This polarized structure persists despite various land reform programmes. The regional pattern of the distribution of small and large firms and the concentration of land ownership are also unequal. For example, southern Italy and Spain, central Portugal, and eastern Turkey have rather imbalanced land distribution with strong traditional feudal ties (Uluslan, 1980).

Mechanization in agriculture, unemployment among small farmers and landless peasants and limited alternative employment opportunities in rural areas have been pushing more people into other sectors and cities. Also as Pugliese (1985) points out for Italy, and Kuran (1980) for Turkey, rural-urban migration has occurred not only in search of jobs but also in search of better living conditions given the large disparities between regions. Some evidence also shows that the characteristics of agricultural employment have also changed. Agricultural employment has substantially declined since 1960 in Southern Europe and it

has been increasingly oriented to the west European market. The EC has appeared as a major trading partner (Jones, 1984), but the agricultural policies and the community CAP price support has benefitted EC countries, but has excluded Turkey.

2.6.5 Labour market and migration

Another peculiarity of the Southern European countries is the relatively low cost of labour (except Italy) and high levels of the internal and international labour migration. Migration of the landless or small land-holding peasants to the urban areas has offered cheap unqualified labour for economic activities. This relatively cheap and unorganized labour has an important effect on the formation of the labour market and survival of SMEs. It is also a cost reducing factor for SMEs in the form of casual and informal use of young and unskilled workers. Also an increasing rate of female employment is an important cultural change towards modernization in these countries.

Almost all Southern European countries have experienced rapid and unbalanced internal labour migration from rural to urban areas, as well as from less developed regions to industrialized and developed regions. Many landless or small land-holding peasants sought their future in urban areas. The structure of land ownership in agriculture has played an important role in this process. Until the 1970s the Southern European countries were all characterized by strong rural-urban currents, leading to rapid urbanization, and rapid depopulation of marginal regions. Big industrial metropolises attracted the rural population. Besides the rural underemployment the limited and unequally distributed public services and infrastructure among regions were factors attracting people from underdeveloped rural regions to urban areas.

As argued by many researchers, this movement effectively left abandoned many local economies and even created labour shortages which contributed to the decline of some regional economies. Migration of the educated and higher skilled people for better opportunities in the bigger cities has also contributed to the decay of local businesses and economic activities (Hudson and Lewis, 1984; King, 1984). However, recent studies

indicate that when employment is available within a region, rural-urban migration is predominantly intra-regional (King, 1984; Keles, 1985). As a result, a series of medium-sized towns across these countries have been growing since the 1970s (Garofoli, 1992). In Turkey, for example, the three cities studied in this thesis, Gaziantep, Kayseri, Denizli have been among these newly growing urban centres. They are not national metropolises, but they are regional attraction points of job opportunities and better social and physical infrastructure (such as education and health) in their regions. Another form of migration to these cities is through temporary and seasonal employment in tourism, construction and other sectors.

From the latter part of the 1950s there has been long-term labour emigration to North-West Europe from Southern European countries. The main destinations were the Federal Republic of Germany and France. Greek and Turkish workers concentrated in Germany and Portuguese workers in France. After the economic crisis of 1973 and international recession, labour migration to Northern European countries diminished dramatically as the principle European outlets, France and the Federal Republic of Germany became blocked off. Return flows grew in size. Two new patterns of migration have been observed after 1973. First, families and children of migrant workers have been united. Second, further labour migration has occurred of skilled technicians, engineers and managers to the oil-rich states of the Middle East (Hudson and Lewis, 1984; Keles, 1985). This has involved some contracting and engineering works and investment of Southern European countries.

However, the experiences of each country have been different. Emigration from Italy has decreased due to growth in internal demand and the increased rights of labour mobility within the EC after 1967 (King, 1984). The number of returnees increased in Spain, Greece and Portugal as the economies of these countries were buoyant in the 1970s and offered job prospects to returnees. There are two distinct characteristics of Turkey in this respect. First, whilst other Southern European countries have gained the right of free labour movement under the EC regulations of 1992, the Turks do not have the right of free

labour movement in the EC countries. Second, labour migration from Turkey has continued due to the economic problems of Turkey.

Return migration has emerged as a dynamic force for economic development. As researchers point out that in most cases returnee businesses are traditional enterprises whose existence is linked to the prestige of independence rather than to economic rationality. Most investments are in the form of land, property or bonds and consumer goods. This dual process of superficial modernization and continued under-development is portrayed in case studies of Andalusia in Spain, the Black Sea coast in Turkey, and Sicily in Italy (King, 1984; Keles, 1985; Toepfer, 1985).

2.6.6 Regional disparities

Industrialization and urban development have not been evenly distributed over national territories. First, there are huge regional differences in these countries not only in terms of economic development but also in social structure and culture. Second, there are also striking differences between rural and urban areas in the distribution of social and physical services. While several metropolitan centres continue to grow and attract more industrial and other economic activities, many local areas and regions have remained backward. Even the most developed cases of Spain and Italy have severe regional disparities with very poor regions such as Andalusia and Sicily.

In Portugal and Greece the major metropolis is the country's principal port, industrial centre and capital, and the most powerful magnet for internal movement of population. This pattern of development has been strengthened by internal migration. As King (1984) shows, regions of demographic increase correlate inversely with regions of economic growth in Italy and other countries. In that context, Istanbul has played a crucial role in the Turkish economy. Government policies towards balanced development and urban growth have not been successful. As King (1984) and Hudson and Lewis (1984) pointed out, rapid urbanization and population concentration in major urban areas has caused housing and employment problems in these cities. Shanty towns and clandestine

housing have rapidly developed and there has been a segregation of communities according to their town of origin in Barcelona, Turin, Lisbon, and Istanbul. Self-employment has been a form of employment as a result of the shortage of job opportunities in these cities. This has been particularly important in Turkey where many small capital owners in rural areas or small towns have developed small businesses as shopkeepers, street pedlars, contractors etc. (Keles, 1985).

Silva (1992) for Portugal, Hadjimichalis and Vaiou (1992) for Greece and Vázquez-Barquero (1990) for Spain all point out a new trend in the Southern European SMEs and regions. This trend marks an endogenous development and diffusion of industrialization in growing small and medium-sized cities through SMEs. It has been pointed out that networks of businessmen (Silva, 1992), local agents and personalities and decentralization of central government policies (Vázquez-Barquero, 1990) play an important role in this process. Although it is too early to conclude, this trend shows indications of new prospects for SMEs in the process of local and regional development through utilization and up-grading local capacity in Southern Europe.

2.7 CONCLUSION

Theoretical approaches to explain SMEs in developing countries have been based largely on concepts of petty commodity production and dualist debates. These enlighten aspects of small firms such as the importance of family involvement, self-employment, apprenticeship and the labour process in developing economies. However, these approaches are too rigid and static to explain the rapid small firm development that has occurred in the European semi-periphery. Similarly, traditional business practices in developing economies have certain common points with the flexible specialization observed in Italy by Piore and Sabel (1984). There are similar lateral linkages among firms, craft production and flexible use of labour. However, there are some crucial differences which undermine the relevance of the flexibility debate in the semi-periphery. First, these firms are mostly technologically dependent not innovative and flexible. Second, normally they

are not locally organized and do not form networks of cooperating firms. The style of business is rather paternalistic. Labour exploitation is high and skill level is low. Finally, this sector is not export-oriented and competitive, but grows alongside local market niches.

Small businesses are not a new phenomenon. They have always had a function in different sectors of the Southern European economy. Their growth has been formed in the changing economic cycles. The role of these firms and their survival has been interrelated with large businesses both in the periods of economic growth and recession. As a result, the needs and weaknesses of large businesses in the economy, as well as the role of small bourgeoisie groups and niches at local markets have facilitated the survival of small firms. However, the small firm sector and its position in different societies and economies has been changing in recent years. The gap between small and large firms is narrowing through widening business linkages and the use of new technologies. The most significant reason for this change is the globalization of capitalism in the world economy.

Southern European countries are quasi-integrated into this capitalist economy. A set of complex linkages has appeared between large, medium and small firms since the 1970s. Similarly a series of medium-sized urban centres has started to grow with endogenous investments parallel to government incentives and investments. As a result small firms have experienced growth. The local environment for entrepreneurship and the social characteristics of each area have remained important in this process as competitive seed beds for small businesses.

It seems that the advanced countries and Southern European countries form distinctive parts of this process as a result of differences in their historical experiences of industrial capital accumulation, urbanization and the late development of production technology in Southern Europe. These countries have experienced late industrialization and dependent technology compared to North European countries. Low economic integration among regions and poor infrastructure in backward areas together with rapid rural migration to urban areas have increased regional disparities and unemployment in the urban areas. Informal sector jobs and self-employment have absorbed these groups.

There are several points for theoretical debate. First, except in the case of the North Italian experience, the Southern European small firms have developed under specific conditions. Theorizing this situation ought to focus somewhere between theories of flexible specialization and theories of petty commodity production and dualistic approaches. The long tradition of artisans and small businesses has seen a transformation parallel to the changes in national and international markets. It is necessary to question how this is occurring and what are the relative roles of large firms and SMEs, as well as what exogenous and endogenous developments have created local economic changes and technological diffusion.

Secondly, anthropological, sociological and micro-economic approaches indicate the nature of small firms. The economics of small firms, their growth and survival are different from those in large firms. There are a series of issues which are significant for the survival and growth of small firms, such as the motivation of the individual entrepreneur, the role of family labour, business networks and the flexible adaptation processes. Similarly high birth and death rates show the very dynamic nature of small firms. These issues are all important for understanding the dynamics of Southern European small firms.

Thirdly, local economic development, capacity building and bottom-up policies emphasise maximizing the local capacity, mobilizing and upgrading human capital and physical resources. Indigenous SMEs development are given importance in this process. This is a different approach from the regional and economic development policies which Southern European governments have been implementing for decades. The idea of central and local government collaborating in SMEs development brings a new spatial dimension and policy-oriented approach. This debate appears highly relevant for Southern Europe particularly as a result of the evidence of the importance of growing medium-sized cities as bases for endogenous SME development.

In conclusion, the main question emerging from these theoretical debates which this thesis addresses is how far the Turkish small firms respond to their location in the semi-periphery. How do they respond to changes in production technology and world markets?

What are the sectoral and regional characteristics of the Turkish economy that affect small firm transformation and change? And what are the characteristics of economics of small firms such as birth, survival and growth?

CHAPTER THREE

A GENERAL OUTLOOK ON THE TURKISH ECONOMY AND SOCIETY WITHIN A SMALL FIRM PERSPECTIVE

3.1 INTRODUCTION

The aim of this chapter is to assess how the structure of the Turkish economy and society affects the development of small firms and what the economic and social roles of SMEs are. The organizational and legal structure, industrial relations and regional development and urbanization affecting SMEs' development are briefly discussed. The sectoral composition of the Turkish economy is overviewed and small firms in the four case study sectors examined in this thesis are analysed in detail. The size and sectoral distribution of the Turkish SMEs are introduced using national statistics. The social and cultural aspects of modern Turkish society such as family, religion, and ethnicity are also introduced. Their effect on small firm practices are briefly discussed. Finally, a series of problems regarding small firms and small firm research in Turkey are summarized.

3.2 DEFINITION OF SMALL FIRMS IN TURKEY

There are many different types of small and medium scale business activities in Turkey. These range from household produced-home crafts, artisanal and cottage production, to small scale industry. As a result of this variety, the definitions of small firms used by different authors and organizations are often confusing and inconsistent. For the case of commercial and service sectors, the small/large distinction is rather problematic and there is little adequate data and research available (Müftüoğlu, 1989; Küçük Sanayi, 1989). The only specific data for these firms have developed within the "petty trader and artisan" category. By definition, the petty trader is engaged in trade and service, but his/her

income or activity is not large enough to be included under the definition of "merchant". Artisans are defined as being small and labour intensive and originating from traditional forms of production.

The first Turkish definition of an industrial firm dates back to 1927. Shortly after the establishment of the Turkish Republic, legislation called The Industrial Incentives Law (*Tesvik-i Sanayi Kanunu*) was prepared in order to encourage industrial development. This brought the definition: "Work places which are employing at least 5 employees and having at least 10 horse power are the industrial firms ". The first distinctive definition of small industry was made in the *Work Law no. 3008* in 1936. According to this law, firms employing fewer than 10 workers are considered small industrial enterprises. In 1981 the SME definition of the State Institute of Statistics (SIS) was applied to those firms with up to 25 employed persons, having fixed assets worth up to TL 20 million and using partly technical and partly experimental production methods. The definition of petty traders and artisans, however, stems from the *Law no. 507* in 1964 in which they are defined as businesses with "limited earnings" derived from the use of owners' skill and experience. They are not obliged to be registered with the Chambers of Commerce (SIDO, 1986).

The ambiguity of the definitions and size criteria was partly resolved in 1989. Until then the organizations relating to SMEs such as the Ministry of Industry and Trade (MIT), the State Planning Organization (SPO) and the People's Bank of Turkey, used different size criteria in their policies. But in 1989 the definitions of SIS and SPO were modified and coordinated with the international definitions such as those used by the World Bank. This classification has now also been adopted by all institutions and government bodies. The definition of SMEs define three categories as:

Very Small Scale: 1-9 employees and/or less than TL 50 million of fixed assets

Small Scale: 10-49 employees and/or TL 50-350 million of assets

Medium Scale: 50-250 employees and/or TL 350-4 billion of fixed assets

However, accurate data regarding SMEs still continue to be a problem. This is in part due to some of the characteristics of small businesses such as the highly personalized

nature of management, the high level of family involvement, and the high level of labour turnover. Also the institutional and statistical confusion between artisans, petty-traders and small manufacturing firms has not been eliminated. The revenue definition of turnover in Turkish Lira, which is the size criterion for commercial businesses, has proved inadequate because of the high rates of inflation in the country.

3.3 THE HISTORICAL BACKGROUND TO SMEs IN THE TURKISH ECONOMY

The transition from an empire to a nation state and the country's integration process into the world economy have brought dramatic changes to every sphere of life in Turkey. The socio-economic transformation of modern Turkey has its roots in the latest period of the Ottoman Empire. In the 19th century the Ottoman economy declined rapidly. Many artisanal and craft works closed and local economies were badly affected. Behind this collapse there were a number of factors. First, in the 1860s the import of British textiles displaced domestic producers, even in the rural areas of Anatolia. Second, economic transformations in agriculture were based on the supply of raw materials to the Western economy. Foreign capital became instrumental in export-oriented agriculture through trading ventures, merchant houses, banks, and direct participation (Keyder, 1987).

Third, a couple of sea ports gained importance and controlled trade. In these towns Levantine minorities and some Ottoman notables linked to external trade flourished. Parallel to the process of decline of Ottoman artisanal and craft works (which were mainly weavers), those Turks who conducted internal artisanal trade gradually disappeared. Economic control positions changed in favour of Turks at the time of the Young Turks (1908-1918) when Turkish intellectuals and statesmen began to consider introducing economic nationalism and autarky (Mardin, 1980). This Turkish-Ottoman nationalism shaped the early policies of the economic development of modern Turkey. It was also influential on the formulation of the Kemalist Ideology which was shaped by Mustafa Kemal Atatürk, the founder and the first president of the Turkish Republic.

The Turkish Republic was established in 1923. The economic and social condition of the country was devastated during the independence war (1919-1922) and the economy was in a poor condition. The literacy rate was 11% and agriculture's share of the working population was 81 percent. The Kemalist state aimed to build a modern society with new institutions and to achieve economic development through industrialization. The core of this ideology was based on the principles of "six arrows" which were followed by the Republican People's Party until the 1980s. These "arrows" are republicanism, secularism, populism, nationalism, étatism, and reformism.

The essential core of this ideology is the concept of a secular state responsive to the social and economic needs of the people. Kemalist ideology and reforms brought into Turkish society had their intellectual roots in European liberalism and positivism. It was the Young Turks movement which developed this kind of thinking among Turkish intellectuals in the late Ottoman period (Mehmet, 1983; Keyder, 1987). The importance given to economic nationalism, industrialization and state enterprises in the Kemalist period led to a mixed economic framework that has had long-term effects on modern Turkey. Developments can be analysed in four periods: 1923-1939, 1939-1960, 1960-1980, and since 1980.

3.3.1 From the establishment of the Republic (1923) to the World War II

In this period the independent economic development of Turkey began through nationalization of capital, industrialization and the creation of a national bourgeoisie. Turkey followed an autarkic development policy during these years. Mehmet (1983) and Tezel (1975) argue that in the early years of Republic, the development policy of the government in the 1920s was to create a suitable environment and provide direct support for private capital accumulation.

Government investment in the improvement of transport facilities aimed at the economic integration of the domestic market. Railway and road construction created

business opportunities for contractors and merchants who also benefited from the increasing demand of the domestic market. However, the idea of economic development through stimulating private enterprises was given up under the conditions of the world economic crisis in the 1930s. The Kemalist development strategy instead shifted to the formulation of étatism (Devletçilik). The Turkish étatism has had a long term effect on the economy. It has meant not curbing, but protecting, private property and enterprise (Tezel, 1975).

Many basic industries were founded and infrastructure developed by the state during this period. There did not exist a national capitalist class who could invest in private enterprise. The first five year industrialization plan was introduced in 1934. The 1933-34 policy of industrialization through the creation of the state enterprises in some sectors emphasised industry as the key sector for the development. The largest investment occurred in textiles, in which Turkey had a comparative advantage, followed by iron and steel, and cement and paper. Economic, geographical and social factors played a role in locational choices of these plants (Okyar, 1979). By the end of 1940s there were about 100 state-run factories in operation (Bademli, 1977).

Table 3.1- Number of industrial firms according to employment size

	less than 10 workers	10-49	50+	Total
1927*	63,185	2,060		65,245
1950*	79,713	2,618 (103 state firms)		82,331 (103)
1963*	157,759	3,012 (237 state firms)		160,771 (237)
1970	170,123	3,391	1,785	175,299
1980	177,175	6,573	2,121	185,869
1985	183,573 (1)	8,035 (46)	2,611 (345)	194,219 (392)

SOURCE: * Available data are based on two categories: firms smaller than 10 workers and larger than 10 workers. Raci Bademli, *Distorted and Lower forms of Capitalist Industrial Production in Underdeveloped Countries*, PhD Thesis, MIT, 1977, pp.112-125. Figures in parentheses show the number of state enterprises derived from Küçük Sanayi (SPO), Ankara, 1989; pp.5-21.

Small Businesses and the Four Sectors : The dismantling of the multi-ethnic-religious structure of the Ottoman Empire and the emergence of nation states caused drastic population movements which damaged many local economies and crafts. The vacating of Anatolia by minorities caused the loss of many skilled craftsmen (Mardin, 1980). The

Turkish government took over six Ottoman state factories, as well as all military works of the Empire, and twelve foreign-controlled industrial establishments. In 1927 the total number of industrial establishments was 65,245 and almost all of them were small craft shops (See Table 3.1). At this time 79% of the total establishments were employing less than four workers (Bademli, 1977).

During this period state capitalism was seen as a supplementary agent for industrial accumulation and private business development. New artisans and craftsmen emerged in local economies. They used the vacuum of small businesses left by non-Muslims. However, machinery and parts production was beyond the level of technology and skills in artisanal shops. Commercialization of agriculture and the development of commercial activities increased the number of small firms in these sectors. Wholesaling activities gained importance and had a considerable capital accumulation, especially during the second World War.

Consumer durable goods was also not a developed sector. Mainly imported goods were available for a small group of well-off people in several big cities (Istanbul, Ankara, Izmir). The construction of the railway network created opportunities for the development of small construction businesses (Tezel, 1975). Public purchasing and bidding in the following years have been important for the development of construction businesses. However, there was limited number of skilled masters and builders in the construction sector. For the construction of the Ankara, new capital city, the government had to bring some skilled construction workers from abroad during the 1930s (Bilgen and Özcan, 1989).

3.3.2 Between World War II and 1960

Turkey did not enter the Second World War but it was affected by the new world order. Immediately after the war it was opened to the external world and passed to the multi-party system. After the introduction of multi-party democracy in the late 1940s, the

Democratic Party came on power in 1950. Turkey became a member of NATO (North Atlantic Treaty Organization) in 1951. Turkish-American relations had profound effects on the Turkish government's industrialization policy and the development of the local capitalist classes.

The local bourgeoisie, merchants and large landowners demanded a liberal economy. The 1945 Act of Land Reform met strong resistance from large landowners. Members of the large land-holding families were among the founders of the opposition party in late 1940s (Tezel, 1975). The Democrat Party government was against the étatism of the one-party regime, but they partly followed the same policy and established new state-owned enterprises in the fields of transport, power, irrigation, mining, and manufacturing. These projects were implemented without central planning. Although the Democrat Party was loyal to the Kemalist ideology, in many ways in the political field they encouraged an Islamic revival at the expense of Kemalist secularism (Mehmet, 1983; Okyar, 1979). The policy of expanding investment in the state sector, mainly through inflationary financing, was also implemented by the following governments until the 1980s.

Industrial investments were limited and in the 40 provinces of Turkey there was almost no industry. Democrats encouraged entrepreneurs and private capital accumulation and placed greater emphasis on agricultural development and infrastructure projects. The most significant developments in this period were the mechanization of agriculture and the rapid urbanization which also accelerated the growth of the small firm sector. Capital investment from agriculture and commerce to industry occurred in this period through merchants and large landowning families (Tezel, 1975).

Small Businesses and Four Sectors: As Okyar (1979) points out, a different pattern of industrialization began to emerge in the 1950s through the growth of private entrepreneurship. This saw the early development of many small and medium-sized private businesses flourishing in local economies. As also seen in the Table 3.1, the number of small firms doubled from 1950 to 1963. The role of bureaucrats in the establishment of businesses was remarkable. Tezel (1975) points out that 40% of the private enterprises

established in the 1923-1950 period employing 50 or more people in 1968 relied on former bureaucrats. However, there is a lack of research on small firms' employment in the construction, commercial and manufacturing sectors.

Commercial businesses particularly benefitted under the Democrat Party regime. Wholesale foodstuffs and retailing activities continued to grow, due to increasing urban demand and industrial investments in food processing. Retailing and marketing of consumer durable goods was less developed and concentrated in the hands of a small group of merchants. The use of motor-driven lathes in small artisanal workshops began in the late 1950s and encouraged new production opportunities and the development of skills in manufacturing of machinery parts. Similarly, mechanization in agriculture and the use of consumer durable goods created a demand for maintaining as well as producing some parts and equipment (Velzen, 1977). Small construction firms largely concentrated in big towns like Istanbul, Izmir, Ankara. Only a small number of construction firms were in other towns, due to the persistent traditional construction of houses and the low level of demand in local markets.

3.3.3 Between 1960 and 1980

The crises of the mixed economy was followed by a military intervention in 1960. The Turkish intelligencia and military-bureaucrat cadre were uncomfortable about the increasing autocratic tendencies of the Democrat Party government and its anti-Kemalist sentiments. Therefore, the coup was welcomed by the majority of university students, intellectuals and Republicans. Tezel (1975) names these groups as "neo-étatists" since a series of policies were directed to increase the state control over the economy in the 1960s. Under a new constitution, state planning was introduced in 1961. The mixed economy continued to be main framework of development under subsequent civilian coalition governments. Turkey became linked to the western institutions by participating in the World Bank and the International Monetary Fund, and it signed an association treaty with the EC in 1963.

The industrialization policies were oriented towards import substitution. After 1970, the export of semi-manufactured goods began to increase until 1974. Industrial investments and the development of skills were supported by government policies. As a result of the importance given to vocational training schools, many skills improved. However, import-substituting industrialization required imitation of already standardized technologies. In some cases joint ventures, or partnerships with foreign firms, were local capital's only channel of access to technology. But the direct foreign investment was very small and domestic capitalists were not especially keen on foreign capital anyway.

Domestic politics remained volatile with a further military intervention in 1971. Following these years the Turkish economy had a double shock: the first was the impact of increased oil prices on the import bill. The second was the decline in the remittances of Turkish workers from abroad. Turkey used foreign credits and funds in great amounts during the period of 1975-1979 due to the economic crises. During the late 1970s, it also experienced an increasing level of political instability and terrorist violence. In 1979 the inflation rate exceeded 100% per annum together with increased public sector deficit, monetary expansion and idle productive capacity, as well as unemployment. A Standby Agreement was reached with the IMF in 1979 and a severe stabilization and economic reform programme was launched in 1980 to deal with the economic crisis (Mehmet, 1983).

Small Businesses and the Four Sectors: The development of Turkish industry during the years of import substitution encouraged domestic production. Urban population increased rapidly and many rural migrants were employed in small businesses and informal sector jobs. The number of small businesses continued to increase in parallel with local economic development and increasing transport facilities. The construction of small business quarters, which was started in the late 1950s, had remarkable results in increasing the number of firms in many cities in this period.

Domestic production of consumer durable goods and food processing accelerated in this period. Marketing and production companies of large firms developed a network through small businesses in different parts of the country. As Keyder (1987) points out,

small firms in different sectors started to serve not only the local market but also the needs of large firms. The number of retailing shops for consumer durable goods and wholesalers of foodstuffs increased remarkably in parallel with increases in domestic demand. As a result many small and medium-sized towns had an increasing number of small businesses. The growth of medium-sized firms occurred through capital accumulation in the hands of the local bourgeoisie by using cheap government credits.

In 1980 almost half of the workers in the manufacturing sector were employed in small firms. There was also a slight shift from very small firms towards those of a larger size (See Table 3.2). The use of mechanical lathes spread across the country and facilitated the production of machinery and parts in small firms. In the construction sector an increasing number of architects and engineers entered the business. Housing demand of the middle classes in urban areas and cheap credits supplied by the government also created suitable conditions for the growth of small construction firms. Since the big construction companies were not effective in local markets, there was a ready demand for small firms.

Table 3.2- Number of firms and employees in the Turkish small manufacturing sector

employment	1970	Employment (%) in total 1980	1985
1-9	39.2	38.3	33.5
10-49	8.6	10.5	12.0
50+	52.2	51.2	54.5
employment	Number of firms (%)		1985
	1970	1980	
1-9	97.1	95.3	94.5
10-49	1.9	3.5	4.1
50+	1.0	1.2	1.9

Source: Küçük Sanayi, The State Planning Organization (SPO), 1989, Ankara.

3.3.4 1980 to the 1990s:

Turkey had its second coup d'etat in 1980. The first semi-democratic general elections were held in 1983. The conservative-liberals (Motherland Party-ANAP), as they call themselves, came to power and followed liberalization policies. After the 1991 general elections a new centrist coalition government was set up by the Social Democrat Populist Party (SHP) and the True Path Party (DYP). A government programme was aimed to

solve economic problems, namely high inflation rates and unemployment, to improve deteriorated living conditions of middle and lower classes, and to improve democratic and human rights in the country.

The Turkish economy had a major transformation from the liberalization policies under favorable international conditions at the beginning of the 1980s. The development of a free market economy, liberalization of foreign trade, elimination of price controls, and monetary policies have been pivotal elements of this transformation. Turkish exports increased remarkably after 1980 and enjoyed the opportunities created in the Middle East. However, with the sharp downturn in oil prices after 1985 this market had reached its limits. Exports to industrial countries started picking up after 1984. As Senses (1990) and Arıcanlı (1990) argue, two important elements have facilitated the success of Turkish exports: the first is the squeeze in domestic demand and the second is the utilization of existing industrial capacity which was created during the earlier import substitution years.

Inequality in income distribution has grown during the 1980s. The deterioration in public health services and education occurred as liberalization policies cut the levels of social expenditures by the state. Turkish exports have begun to face a tough market, due to quotas of the OECD countries and the effect of the Gulf crisis which harmed the Turkish economy in many ways. In addition, capacity utilization and technological development reached its limits in late the 1980s. While the agriculture and manufacturing sectors were losing support, the commercial and banking sectors gained through the government policies of the 1980s. Hershlag (1988) and Mehmet (1983) criticize the legacy of Turkish centralism, intervenism and étatism for the slowness of the liberalisation in the Turkish economy. It is argued that the burden of State Economic Enterprises (SEE) and bloated bureaucracy have blocked a rapid liberal transformation in the Turkish economy during the 1980s.

State enterprises occupy many different sectors as such transport, service, mining, banking and manufacturing. They include big factor supply firms to many private sector firms. Although they contribute to the industrialization and development of private sector

firms, the employment creation through state enterprises has been a political manoeuvre of governments for many years. This, combined with low productivity and bad management practices, has increased the burden of state enterprises in many sectors of the Turkish economy. The achievement of privatisation and modernization programmes has been limited partly due to political and social pressures over governments since the 1980s.

Small Firms and the Four Sectors: While the 1970s showed a remarkable increase in the numbers of medium and large firms, liberal policies throughout the 1980s encouraged the development of a new blend of entrepreneurs. Many sections of society saw a new future in the formation of private businesses. Notably university graduates and youngsters of urban middle classes established new professional and service sector businesses. These have been mainly small but better integrated and often dependent upon large capital institutions, in contrast to their traditional counterparts.

However, the free market and liberalization policies have affected some sectors of small firms negatively. These were mainly in traditional manufacturing works and agriculture. Commercial businesses and some service sector firms (e.g. tourism) benefitted from liberal policies (Keyder, 1987; Senses, 1990). The opening of the economy offered an export-oriented production to only a small group of these firms through subcontracting since production and service relations between large and small firms remained weak. Mainly textile, food processing, agricultural machinery and transport industries offered some opportunities to SMEs during the 1970s and 1980s. However, SMEs remained weak in the development of skills, technological improvements and R&D.

In the commercial sector, small firm activities in the sectors of wholesale of food-stuffs and the retailing of consumer durable goods diffused to the rural and urban regions of the country. This process has been encouraged by larger firms' production and marketing. Therefore, local and regional wholesaling has rapidly developed. Similarly, the number of retailers in the consumer durable goods sector has continued to expand, following the buoyant domestic market and industrial production. This process has been encouraged by the marketing and promotion activities of large firms.

Many university professional engineers and architects set up their own construction firms in 1980s. Large firms introduced new construction materials and techniques to the market. Apartment flats have been the dominant units of housing construction in urban areas since 1960. Land and building speculation has offered high profits to many small businesses although their market share has remained small and local in urban areas. They have had advantages over large constructors in local markets within fragmented market relations. After the 1980s the construction of second housing increased for upper income classes in the coastal areas and outskirts of cities, while inter-urban demand remained stagnant due to the worsening economic conditions of the middle and lower income classes.

3.4 SMEs IN THE MODERN TURKISH ECONOMY

Turkey has one of the fastest growing economies among the OECD countries. The average GNP growth rate has been around 5% during the late 1980s and early 1990s. In 1989 the industrial sector had 36.7 % of GNP, whilst the service sector accounted for 47.5% and agriculture 15.8%. However, agriculture still plays a very important role in the Turkish economy. It accounts for 50% of the total employment. It is followed by the service sector with 35%. Industry has 15% share of total employment which represents a small section of total labour force.

The Turkish economy is highly integrated into the OECD market which accounted for 62.5% of Turkish imports and 61.2% of exports in 1989. The EC has a significant share of this distribution (See Table 3.3). Turkish exports are largely based on industrial products, mainly manufacturing. However, manufactured exports are heavily concentrated on textiles and clothing with a low share of machinery and equipment. Turkish exports to the EC are predominantly labour-intensive manufactured goods whereas one half of the exports to the Middle East are capital intensive. A closer examination indicates that in recent years there is also an increase of capital intensive exports destined for EC markets (Senses, 1990).

Table 3.3 The distribution of imports and exports by countries in 1989
(million \$)

	IMPORTS	%	EXPORTS	%
OECD Countries	6, 115.5	62.5	4, 256.8	61.2
EEC Countries of the OECD	3, 693.3	37.8	3, 282.3	47.2
Other OECD Countries	2,422.1	24.8	974.5	14.0
Islamic Coop. Council	1, 850.3	18.9	1, 813.7	26.1
Middle East Countries	907.9	9.3	491.5	7.1
Others	903.7	9.2	394	5.7
Total	9, 777.5	100	6, 956.3	100

Source: Main Economic Indicators, State Planning Organization, (SPO), Ankara, 1989.

Researchers (Boratav, 1990; Senses, 1990) point out that the rapid increase in exports in the 1980s has been possible as a result of the period of industrial protection in the pre-1980 period which created the necessary industrial capacity. However, this capacity reached its limit in the early 1990s and new technological and industrial investments have been necessary for further expansion of exports. The Turkish economy has some significant problems. These include a soaring budget deficit, high external debt, high inflation rates (60%), and unemployment (11%) and a volatility of economic policies of economic management (Senses, 1990). Following the dismantling of the USSR, Turkey has had an opportunity to widen its trade relations to the Turkic republics of the Commonwealth of Independent States, in the Balkan countries and in the Middle East. However, the unstable economic and political structures of these markets create ambiguities and it is hard to anticipate at present the way in which Turkey's role will develop.

Although the economic efficiency of small firms is arguable, with a low value added per employee, they play a very important role in the economic and social life of Turkey. As far as the number of industrial establishments is concerned, SMEs dominate the Turkish economy. Table 3.4 shows that 99.2 % of the total number of establishments employ between 1-99 workers. Small firms occupy a large share in this (98.6%). There are no data available concerning small service and commercial firms. However, the records of the Turkish Confederation of petty traders and artisans indicate that thousands of small firms dominate many local economies.

Table 3.4- Number of industrial establishments and value added per employee according to firm sizes in Turkey (1985)

Firm size employees	Number of establishments	%	Total number of employees	%	Value added (TL) per employee	%
1-9	183.573	94.5	472.068	33.5	data not available	-
10-49	8.035	4.1	169.634	12.0	2.780.700	8.2
50-99	1.128	0.6	78.531	5.6	4.022.084	11.8
100-199	618	0.3	87.228	6.2	5.187.804	15.3
200-499	519	0.2	167.248	11.9	7.129.450	21.0
500-999	199	0.1	137.323	9.7	7.378.511	21.7
1000+	143	0.1	296.768	21.1	7.483.090	22.0
Total	194.215		1.408.810		33.981 639	

Source: Derived from Küçük Sanayi (SPO), 1989, Ankara.

The domination of these very small units is an indication of a relatively less developed industrial sector in Turkey. The average number of workers employed by the SMEs varies from sector to sector. It is highest in food, textile, leather, wood, paper, metal and non-metal products and lowest in basic metal and chemical product industries (see Appendix A.2). However, some researchers indicate that there has been a remarkable increase in the value added per employee created by the SMEs during 1980-1985 period (Söğüt, 1989).

The results of the censuses taken between the 1970s-1980s show a substantial trend for firm size to increase in the foodstuff, petroleum products and textile and leather industries. The highest increase in the number of small industrial enterprises employing 1-9 workers has been in the basic metal sector. Machinery manufacturing (except electric motors) comes second. These are followed by rubber products and the furniture-upholstery sector (SIDO, 1986).

Small firms make a strong contribution to employment creation in Turkey. They absorb a rapidly increasing number of largely unskilled labour. They are also important as a major source of domestic capital formation via the mobilization of personal and family savings in Turkey. However, the sectoral distribution of small firms concentrates in the traditional sectors. Technological improvements and R&D are quite poor as far as most of the industrial sector is concerned. The positive effects of new technological improvements

in the electronics and microprocessors industry have not been diffused to the Turkish economy.

3.4.1 SME policies and institutional support

Small firms have been given particular attention since the 1970s in the Development Plans and other government policies in Turkey. A series of institutions has evolved to develop small firm projects and plans. These are the State Planning Organization (Devlet Planlama Teskilatı-[DPT]), the Turkish National Productivity Centre (Milli Prodüktivite Merkezi-[MPM]), the Foundation of Economic Development (İktisadi Kalkınma Vakfı-[IKV]), and the Small Industry Development Organization [KÜSGET]. However, until the 1980s their contribution and active role in the development of SMEs has been very limited and fragmented.

Two major trends changed the emphasis of SMEs policies. First, external trends have forced Turkish policy makers and institutions to develop a more comprehensive and consistent approach towards Turkish small firms. International organizations like UNIDO and the World Bank increased their emphasise on SMEs. Secondly, internal trends brought an increasing recognition of SMEs to the development of domestic industry through the liberalization policies and the development of export-oriented growth. Similarly, with economic integration of the EC and possible EC membership, Turkey has had to prepare itself by following EC policies and programmes. So far the most comprehensive study on Turkish small industry was done by the State Planning Organization [DPT] in 1989 in the context of the EC economies. Similarly, the IKV concentrated on projects about industrial SMEs focusing on the prospects of EC integration.

National policy definitions concerning small industry and artisanal works have been made in the Five-Year Development Plans since 1963. Small businesses have been seen as an important element in Turkish society and economy. However, these national plans do not specify the sectoral targets and means for achieving objectives. They are simply policy

recommendations. Therefore, it is very difficult to assess the direct effect of the Five-Year Plans on the small firm sector in Turkey. A brief summary of these policy recommendations shows that four important points have been recognized:

- i) to establish a central body for guiding small businesses and to increase credit facilities,
- ii) to allocate industrial zones in urban development plans for small industries and artisans and to provide the necessary infrastructure to these areas,
- iii) to organize vocational training and education programmes,
- iv) to encourage small/large industry cooperation and integration.

There are two ministries directly involved in small industry development. The Ministry of Industry and Trade has a Small Industrial Estates Department which is responsible for the construction of new industrial estates. The ministry has different funds for supporting cooperatives and small industry development. The firms are allocated credits by the People's Bank after pre-examination by the Ministry. The Ministry of Education has set up a skill upgrading programme involving apprentices, master craftsmen from artisanal and small industrial units. The Act of Apprenticeship and Vocational Training was updated in 1986. Training schemes have extended to 59 cities and 58 types of training subjects in 1990, with the total number of 170, 232 trainees (Çıraklık Eğitim Uygulamaları; 1990, pp. 38-44).

An important development has been the establishment of the General Directorate of Small Industry Development Organization (SIDO-[KÜSGET]). This is a semi-autonomous organization established within the structure of the Ministry of Industry and Trade. The earliest form of this organization was set up in Gaziantep by UNIDO in 1970 and became a central body in 1983. It provides consultancy, guidance and support to small and medium enterprises in 6 specialized development centres (Ankara, Bursa, Istanbul, Gaziantep and Konya).

Table 3.5- Institutional support for the small firms

	Construction of working sites	Financial credits	Technical expertise	Skill upgrading	Health & insurance
Ministry of Industry and Trade	*	*	-	-	-
Small Industry Develop Org.	-	-	*	*	-
Ministry of National Education	-	-	-	*	-
People's Bank of Turkey	*	*	-	-	-
Social Security Institution (BAG-KUR)	*	-	-	-	*

The only financial organization supporting small firms is the People's Bank of Turkey. Its functions are to give credits to petty traders, artisans, small and medium scale industries, other industrial institutions, companies cooperatives and vocational organizations. However, its functions have been very broad. The cost of credits have also been high and beyond the capacity of many Turkish SMEs. Hence, the Bank's role has been limited for many SMEs.

Bag-Kur is a social security institution for petty traders, artisans and the other self-employed people. The Social Security Agency was founded in 1965 to provide social security to the workers. The institution currently offers different services: insurance and allotment services, credits for housing and collective worksite credit implementation and short-term operating and investments credit application. However, for many employees and employers of SMEs the health and social security services of Bag-Kur is far beyond the satisfactory levels (SIDO, 1986). There are thousands of workers who are not registered with the Bag-Kur and have no social security. Insurance and retirement payments are very small.

There are also non-governmental institution of importance to SMEs. The most important are the Chambers of Commerce and Industry and the Associations of Petty Traders and Artisans. Each is organized at the local level. They defend business interests of their members to policy makers. They are also influential in local political and economic affairs. Only since 1950 have private sector businesses in commercial and industrial sectors been organized in Chambers of Commerce and Industry. A struggle between

commercial and industrial interests at local levels caused the establishment of different chambers since 1965. Separate chambers of industry, chambers of commerce, chambers of industry and commerce, and commodity exchanges have been set up in the cities. There is also a union of chambers representing all the member chambers across the country. However, the larger and more powerful chambers are those in Istanbul, Ankara and Izmir (Öncü, 1980).

There are also artisanal associations. Their members are defined in the Act of Petty Traders and Artisans as small earners or merchant. They are organized through the Associations of Petty Traders and Artisans. All associations must join in their province city. Their members come from an extremely wide range of activities, from taxi drivers to street peddlers. The number of these associations and their rank order in Turkey is as follows: one confederation of petty traders and artisans, 10 federation of unions, 67 unions of associations (supposed to be 73 after the announcement of 6 new provinces), and 3386 associations of petty traders and artisans.

3.4.2 Labour market and industrial relations

Some researchers argue that there is a dual structure in the Turkish labour market. According to Ataman (1980) and Bademli (1977) this duality has, on the one side, large private firms and the state sector, and on the other side, small artisan shops and manufacturers. This generalization oversimplifies the diversity in the Turkish labour market. The basic feature of the Turkish labour market has three key aspects. First, Turkey has a growing population and a huge stock of unskilled workers and high unemployment rates. Second, agriculture still employs half of the working population (see Appendix A.1). Third, the state sector has been one of the largest sources of employment creation in the service and industry sectors. In 1985 the state run firms employed one fifth of the total employees in the country. Private sector employment includes various sizes of (mostly small) farms, cottage industries, artisanal works, SMEs and large firms.

The Turkish labour market have been largely unorganized. Both small and large firms benefit from this situation. Particularly in the agricultural sector and SMEs, workers have long been excluded from social security and collective bargaining rights. However, Trade Unions have been permitted in Turkey since the end of the second World War. The movement developed mainly after the 1961 constitution, which gave larger freedom to trade union activities. However, they have not been strong in dealing with governments or employers except for a short period in the 1970s.

The confederation of Turkish Trade Unions [TÜRK-İS] was founded officially in 1952. The Confederation of Revolutionary Trade Unions [DISK] was established in 1967. They have remained the strongest union powers in the country. The pro-Islamic: HAK-İS and neo-fascist: MİSK remain small and marginal. In the 1960s and 1970s organized labour in Turkey became a powerful group and unionization increased in manufacturing, transportation, service, and textile sectors. However, in small businesses and traditional sectors unionization has remained very low (Shabon and Zeytinoglu, 1985; Mumcuoglu, 1980).

After the military took over in 1980, some trade unions were disbanded and the activities of several others were suspended. Strikes and collective bargaining were prohibited. The gradual transition to a parliamentary regime has enlarged the activities of trade unions. However, ANAP governments in the post-1984 years extended the status of contractual employee to workers in state enterprises, a status which has no unionization rights and guarantees against layoffs. This was also largely implemented in the private sector. This change, together with the deterioration in labour wages, has weakened the bargaining power of workers in Turkey (Boratav, 1990).

As far as small firms are concerned, Turkish law permits the establishment of a labour union in establishments with ten and more employees. The law requires all the employees to be registered with the social insurance institution (Çınar et al., 1988a). There are three areas where the organization of workers has failed in small firms. First, there has not been a widespread geographical diffusion of trade unions in the country. Most of the

union activities are centred in the industrialized metropolitan centres of Istanbul, Ankara, Izmir. Second, female workers and child labour are excluded from the union movements and bargaining power (Ecevit, 1991). Third, paternalistic control and family involvement in small firms has hindered the movements of the labour organizations in the SME sector of the economy. The involvement of families and friends in small firms creates a highly personalized and informal business atmosphere in which organizational and legal attachments are often ignored. Small firms also act as a source of basic entrepreneurship independent of the trade unions as many workers carry the hope of being a business owner themselves one day.

Official minimum wage determination is another feature of the Turkish labour market. It started in the 1950s but gained importance after the 1960s. Decisions are taken by a wage commission which consists of representatives of government, employees and employers. There has been a constant increase in the number of workers paid according to the minimum wage regulation since 1977 (Shabon and Zeytinoglu, 1985). Non-unionized workers in many small businesses and in some state sectors are paid the official minimum wage.

Ataman (1980) indicates that unionized workers in big firms are earning much more than un-unionized workers in small businesses. A factory job is more secure than small firms which have high labour turnover. Similarly, Ayata (1991) points out that many unskilled workers in small firms have been exempt from social security and insurance. They have often been subject to exploitation, with long working hours, poor wages and no job security. However, one of the characteristics of the Turkish labour market is the higher percentage of family workers and self-employed in the total economically active population (71% in 1975). These groups have also been excluded from trade unions and this has impeded the growth of the labor movement in Turkey (Shabon and Zeytinoglu, 1985).

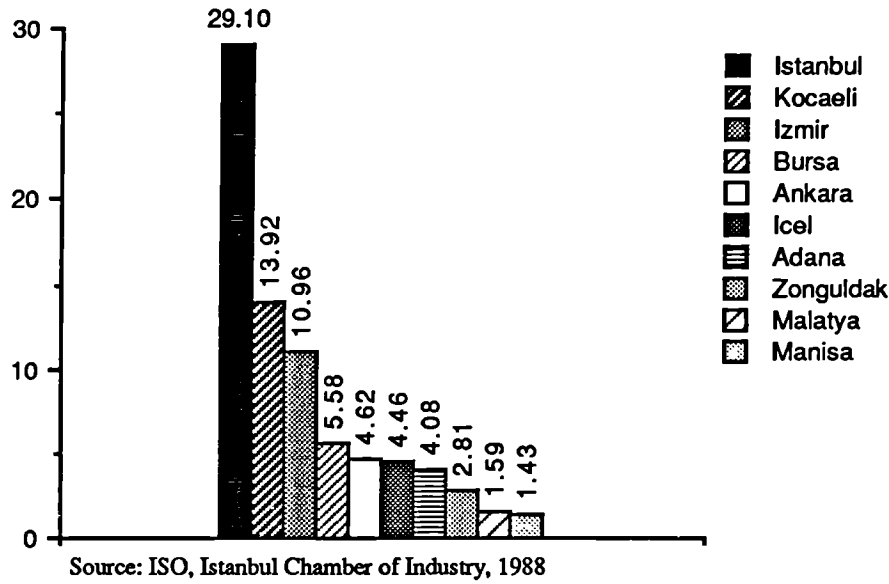
3.5 GEOGRAPHY OF THE TURKISH ECONOMY

Turkey is a relatively large country of 780, 476 km² with a population of 56m (1990). Over half of the population (51.1%) lived in urban areas in 1985 (SIS, 1989). The country is divided into 73 administrative units (provinces: 6 of them declared during the late 1980s) and 7 formal regions. The concept of a region in Turkey has no political or institutional meaning. As Atalık (1990) points out, the concept has been used since the 1960s in the sense of a formal or planning region. The seven regions were defined in terms of criteria with respect to homogeneity and reflection of economy for the purpose of development planning.

The economic transformation from an agrarian economy to industrialization, on the one hand, and rapid urban growth and labour migration to urban areas and abroad, on the other hand has affected the country's regions differently. While the agricultural transformation of the 1950s was geographically dispersed to some extent, industrial development after 1960 was not. It was from the domination of this industrial capital that regional inequalities have increased. Although economic growth and capital expenditures for development have steadily improved, they have not been evenly distributed (see Map 3.2).

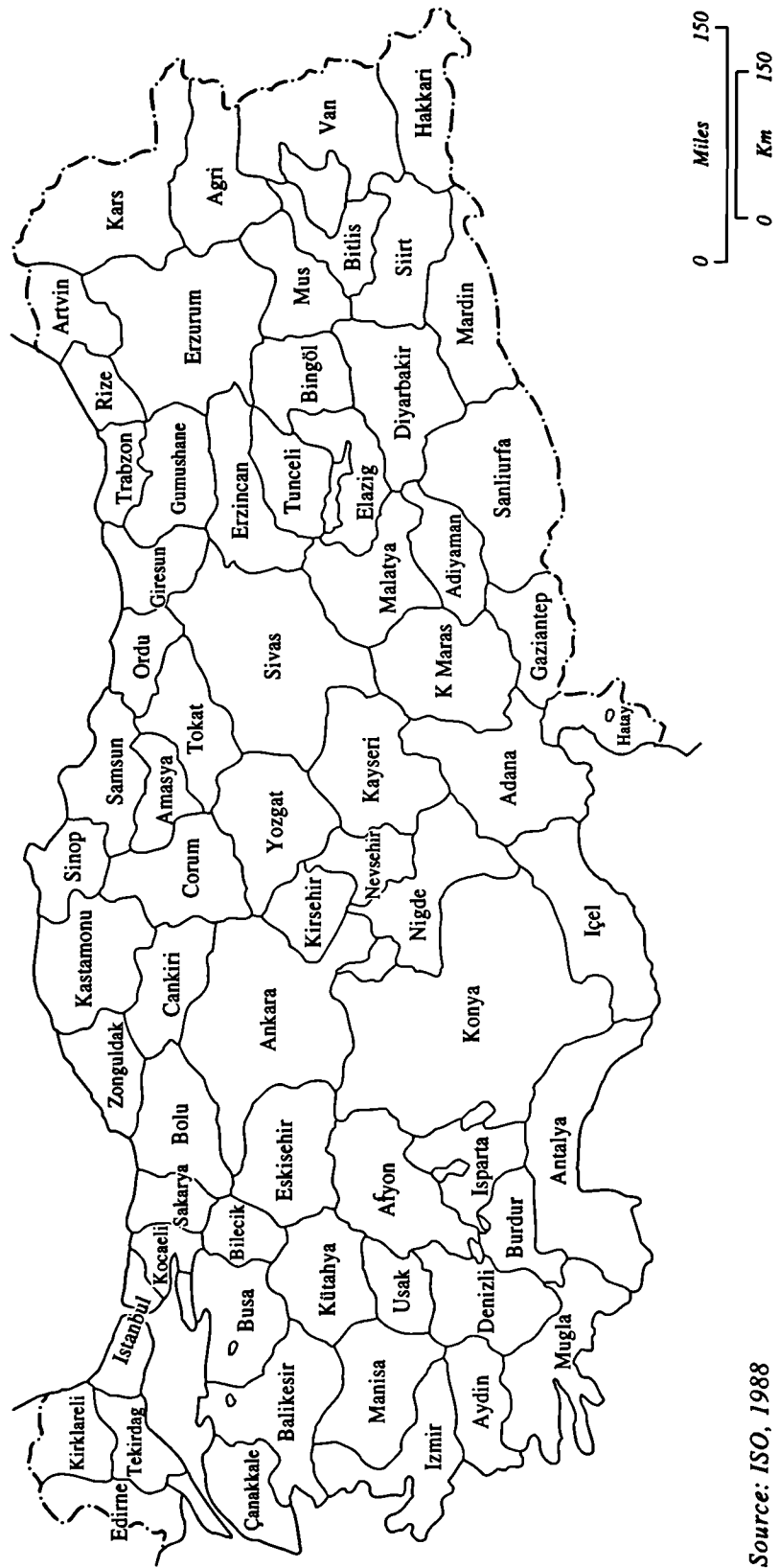
The distribution of value added between the provinces in the manufacturing sector indicates that distribution of manufacturing plants are highly diverse (see Appendix A.2). In 1986 Istanbul created 29.1% of the total value added in manufacturing. It was followed by Kocaeli (13.92%) and Izmir (10.96%). Industry is concentrated mainly on the Istanbul-Kocaeli-Bursa line in the Marmara Region, in Izmir and it's surroundings in the Ege Region, Çukurova (mainly in Adana) in the Mediterranean Region and Ankara-Eskisehir in Central Anatolia (see Map 3.2, Map 3.3, Map 3.5)). These areas also attract capital, skilled labour and technology. As far as per capita income and industrial establishments are concerned, there are large interregional differences. Except for Malatya, all of the largest cities are in the western part of Turkey. The highest value added share in manufacturing among the provinces is shown in Graph 3.1.

Graph 3.1- Top ten provinces and their value added share in manufacturing in Turkey (1986)



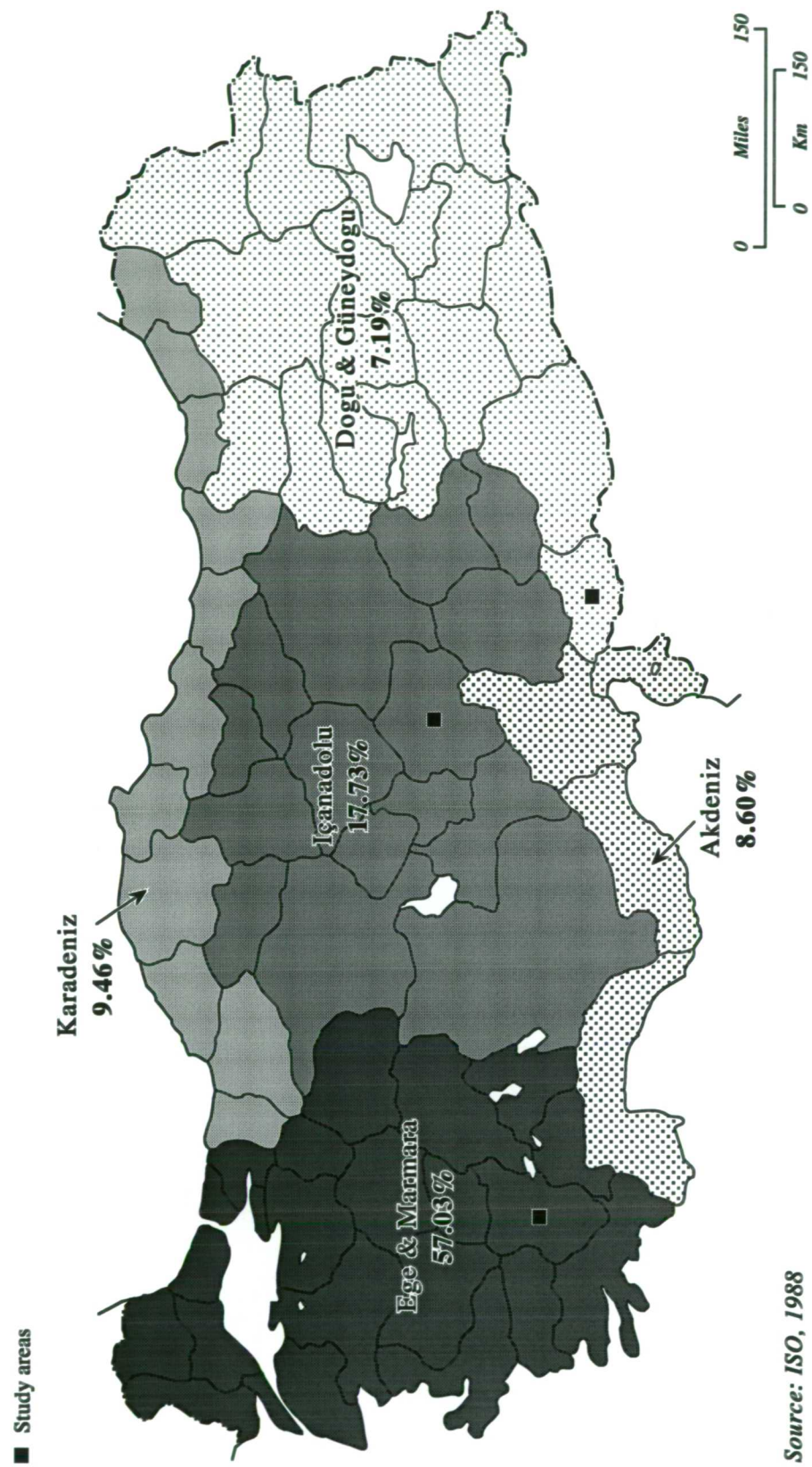
Regional development policies and the national development plans have tried to reduce geographical imbalances through incentives since 1960s. Incentives for regional development have targeted priority development provinces defined by the State Planning Organization. Nevertheless these attempts have not generally succeeded in eliminating or reducing the inequalities among regions in Turkey. Inequalities have even increased since the economic liberalization policies of the 1980s. GDP figures in Table 3.6 indicate that between 1979 and 1986 regional disparities increased in favour of the richer regions of Marmara and Ege. In the same period the growth rate of GDP on the regional basis shows that the Marmara and Ege regions had the highest growth rate (22.5%). They are followed by İç Anadolu (18.6%) and Akdeniz (9.2%). The growth rate in Dogu and Güneydogu was 3.9%, and in Karadeniz 3.4% (ISO, 1988; pp. 341).

Map 3.1: Turkey and its provinces

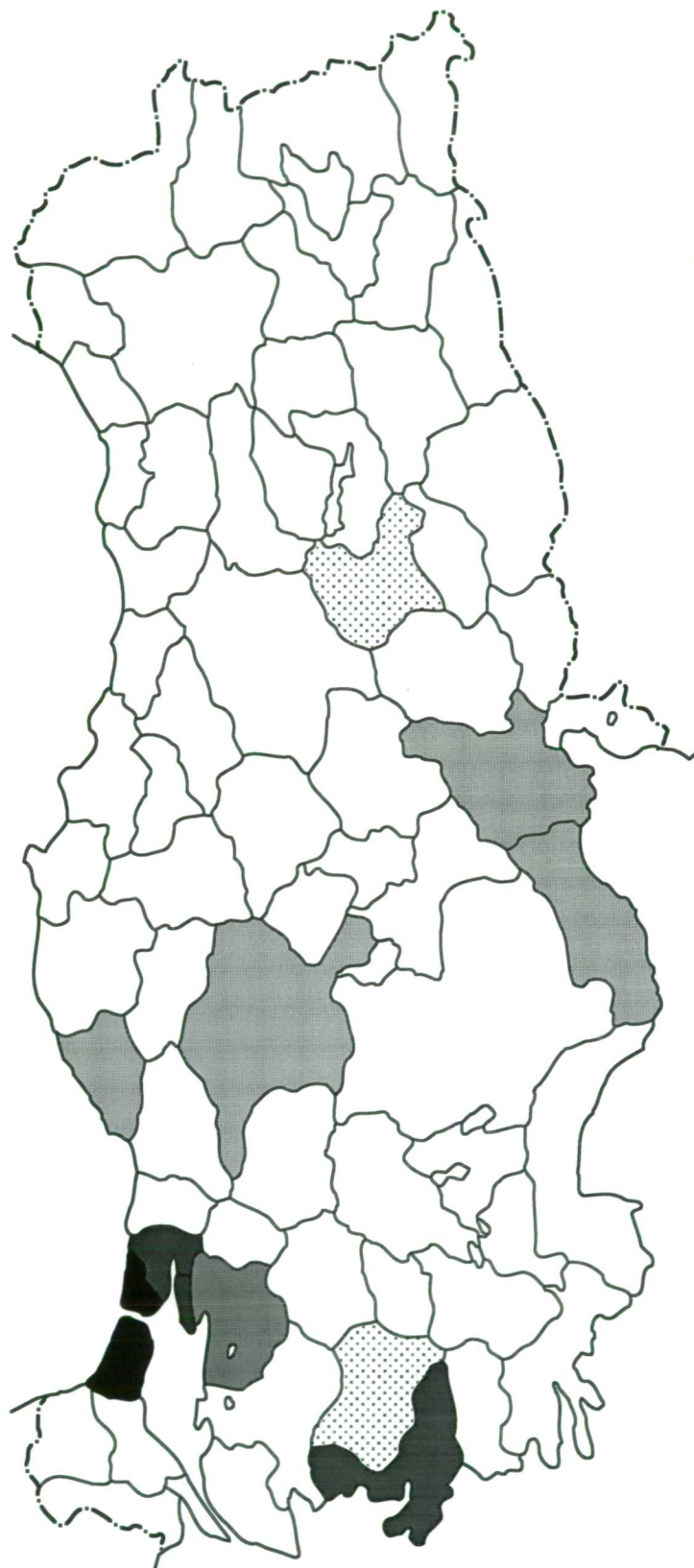
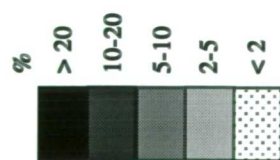


Source: ISO, 1988

Map 3.2: Distribution of GDP across regions in Turkey (1986)

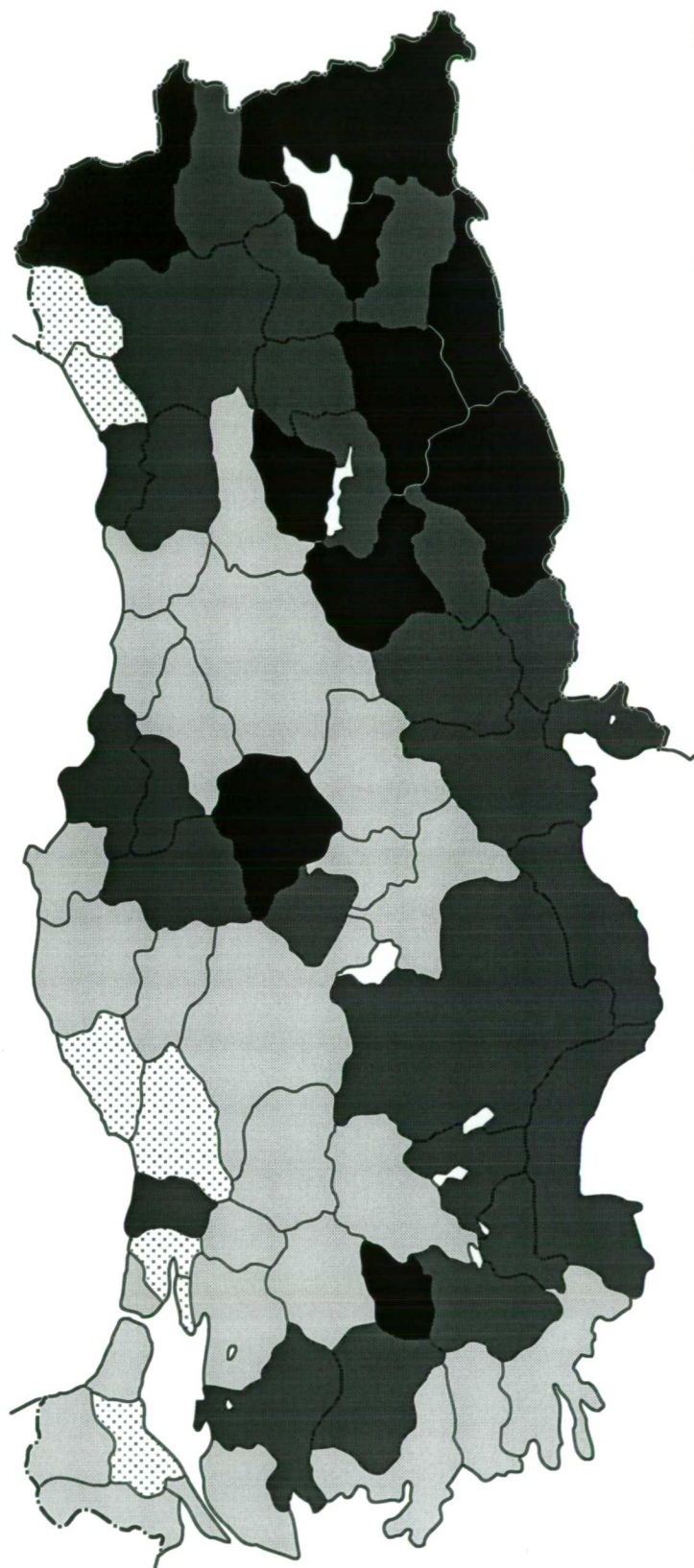


Map 3.3: Value added share of top ten provinces in the manufacturing sector in Turkey (1986)



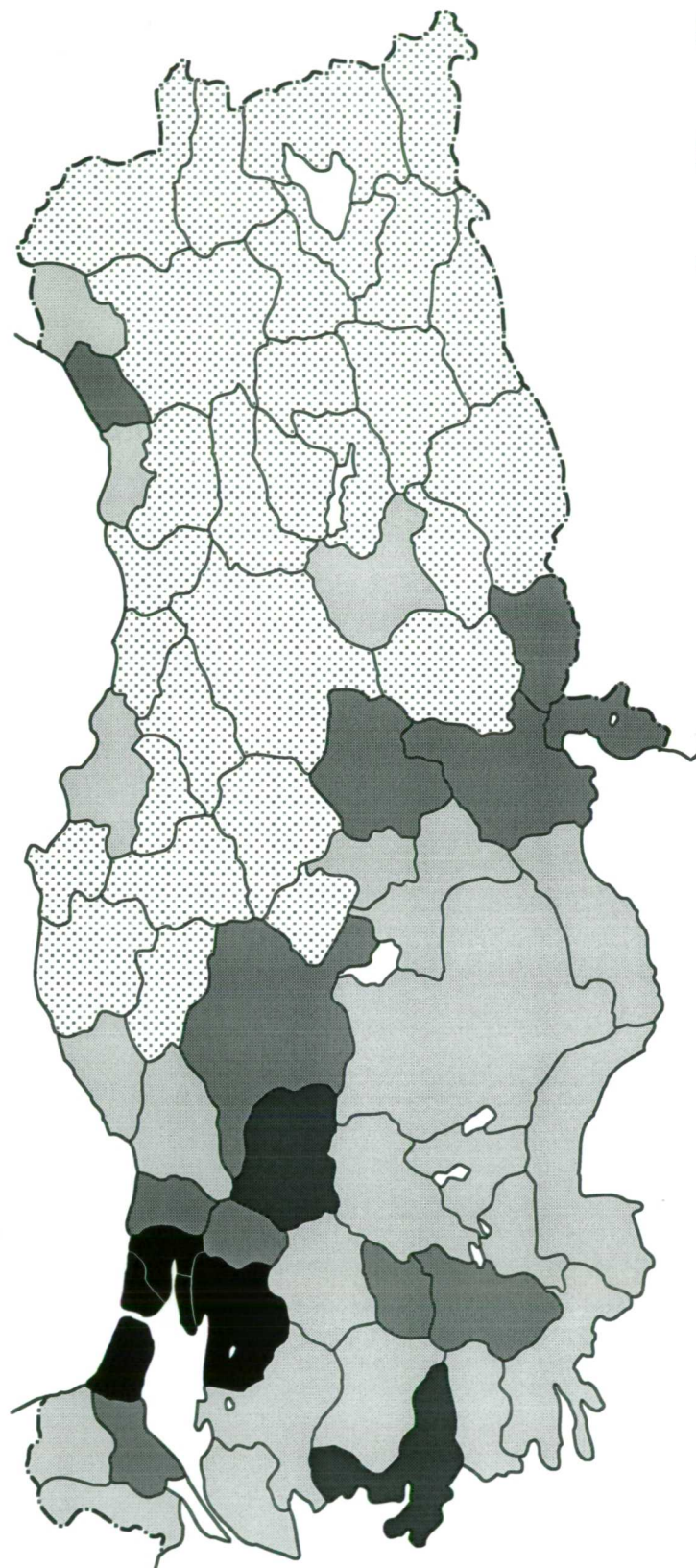
Source: ISO, 1988

Map 3.4: Percentage share of total number of annual average persons engaged in firms (1-9 employee) in total manufacturing employment (1986)



Source: ISO, 1988

Map 3.5: Percentage share of manufacturing employment in total employment in Turkey (1986)



Source: ISO, 1988

Table 3.6- Regional distribution of per capita GDP (current prices)

	1979	1986
TURKEY	100.00	100.00
Marmara and Ege	145.69	160.14
Akdeniz	100.00	95.56
Iç Anadolu	78.37	77.08
Karadeniz	81.86	74.33
Dogu and Güneydogu Anadolu	50.10	42.15

Source: ISO, Istanbul Chamber of Industry, 1988, pp. 365.

The factor analyses study of Albaum and Davies (1973) shows disparities among regions and provinces. In this analysis, only metropolitan centres and some western and central Anatolian provinces have positive scores. The result for some selected cities from this study, including the survey areas used in this thesis, are presented in Table 3.7.

Table 3.7- Factor scores of selected cities

Cities	Factors							
	1	2	3	4	5	6	7	8
Istanbul	6.47	0.54	-0.12	0.97	0.39	2.83	-0.44	0.65
Izmir	2.00	0.45	0.97	-2.11	-0.66	0.09	-0.12	0.90
Gaziantep	0.74	-0.76	1.61	-0.16	-3.19	-1.05	-0.29	-1.80
Kayseri	0.28	0.04	0.11	1.03	0.25	-1.42	-0.40	-0.42
Denizli	-0.37	0.67	0.27	-0.24	-1.28	-0.34	0.07	1.36

Factor 1 is social development element-education, number of printing houses, per capita mail, private automobiles and urban economic element white collar and tertiary activities, energy consumption of industry, percentage of urban population.

Factor 2 is a rural component and village development.

Factor 3 is the type of agriculture and degree of mechanization.

Factor 4 is the level of village life.

Factor 5 is the importance of agricultural commodity production.

Factor 6 is population density and effect of social services.

Factor 7 is the industrialization level.

Factor 8 is the level of rural development and ethnic combination (mainly the Kurdish population).

The value added share of the manufacturing sector and its proportion of the GDP of provinces indicates that the manufacturing sector has a relatively small importance in many provinces and is mainly concentrated in the developed regions of Turkey. This disparity is also evident in the commercial and service sectors. The proportion of national value added accounted for by Istanbul is 18.04% for construction and 41.34 % for commercial sectors. It is followed by Ankara with a 11.09% share in construction and 7.76% in commerce, and

Izmir with 10.27% and 10.16% respectively. These are followed by metropolitan centres such as Bursa, İçel, Adana, and Konya which all have relatively low shares of value added (See Map 3.3).

The lack of interdependence and linkages among regions is another problem for the economic integration and prosperity of Turkish provinces and regions. Differences in the concentration of small businesses among provinces are marked in terms of employment and value added figures, as Table 3.8 shows. The small firm sector is not only concentrated in big metropolitan centres, but also in medium sized cities such as Gaziantep and Denizli. Cities like Samsun, Balıkesir, Antalya and Mersin have had substantial urban growth and a large number of small firms in the country. However, the value added per unit by small firms is higher in Istanbul than other province centres. This affected the sectoral concentration of businesses in Istanbul.

Table 3.8- Small firms (1-9 employees) and their value added in selected provinces

National				
Rank	Provinces	Number of Worksites	Persons engaged	Value added Share (%)
1	ISTANBUL	41,677	150,290	41.4
2	IZMİR	12,815	33,082	3.7
3	ANKARA	10,128	32,664	6.7
4	BURSA	10,052	27,109	4.0
5	KONYA	7,210	18,042	1.1
6	ADANA	6,298	20,685	4.17
7	GAZİANTEP	5,503	16,329	2.8
8	MANİSA	4,737	15,691	3.4
9	DENİZLİ	4,586	10,652	1.0
11	KAYSERİ	3,289	7,739	0.7

Source: Derived from The State Institute of Statistics (SIS), The Census of Industry and Business Establishments in 1985, Ankara, 1989.

However, during the last two decades a second group of medium-sized urban areas has started to gain population rapidly and widen their economic activities. There were only 5 city centres over 200,000 inhabitants in 1970, but this has increased to 17 in 1985. Although the economic growth of the regions is dominated by a few city centres, this trend has heralded a new type of urban growth with increasing endogenous capital accumulation in the hands of local businessmen. Economic activities in many small and medium-sized

towns have been developed in parallel with the large metropolitan centres. Rural immigration and returnees from abroad targeted these cities due to increasing cost of living in the larger metropolitan areas and a frustration with large city life style (Keles, 1985). Economic growth in favour of medium-sized cities in the long term has not been statistically proved yet. But the number of small businesses and increasing population indicate the emergence of medium sized towns in the country.

3.6 SMEs IN THE TURKISH SOCIETY AND CLASS SYSTEM

3.6.1 Background: multi ethnic and religious structure of the empire

The development of SMEs cannot be analysed independently of the social and cultural structure of Turkish society. The tradition of artisanal works and crafts has its roots in the complex ethnic structure of the Ottoman empire and the fragmented specialization of its economy. After the establishment of the Turkish Republic this structure was replaced with a nation state and a new concept of cultural unity separate from ethnic and religious divisions in the society. The Ottoman Empire was a highly fragmented community in the sense of being constituted by a series of linguistic, religious and ethnic "pockets": communities with their own sub-cultures and regulations. The Ottomans classified the subject population according to categories of religious belief. This structure also effected the economy. Each single ethnic community was a mesh in the greater economic web of empire (Mardin, 1980). Each ethnic community had a particular area of specialization in trade and craft. Table 3.9 shows the ethnic and religious complexity of the case study areas in the 19th century.

Turks did not easily have access to all areas. In the 19th century, when ethnic specialization turned out to be an ethnic competition, some favoured groups became stronger (Keyder, 1987; Mardin, 1980). Mardin points out that the low functional differentiation of Turkish Moslems occurred also as a parallel process to the disappearance of some crafts and trade works done by Turks (e.g. weaving). Economic control by

Levantines and Greeks changed in favour of moslem Turks under the rule of the Young Turks (1908-1918). However, the granting of full rights of property opened up a whole new area of economic transactions to Turks in the 19th century. This expansion occurred in a number of economic spheres. Much of the Turkish Reformism was accompanied by the opening of such opportunities.

Table 3.9- Ethnic composition of the survey areas in the 19th century

	Muslims	Greeks	Armenians	Total (including Others)
Antep Sanjak(1)				
Antep central	65,398	-	11,610	81,040
Kilis	9,987	-	1087	11,610
				TOTAL 92, 650
Denizli Sanjak				
Denizli Central	33,414	1758	551	35,697
Tavas	52,896	29	-	52,925
Cal	42,158	157	-	42,316
Buldan	25,515	4	-	25,519
Saray	17,905	614	-	18,519
Acipayam	37,517	-	-	37,517
				TOTAL 212, 493
Kayseri Sanjak				
Kayseri Central	85,163	18,406	24,950	130,549
Develi	21,778	1,821	10,846	34,683
Incesu	13,416	4,668	23	18,107
				TOTAL 183, 339

Note: Settlements underneath of sanjacks are townships of Gaziantep, Kayseri and Denizli Provinces at present.

Source: K. Karpas (1978), " Ottoman Population Records and the Census of 1881/82-1893", *Int. Journal of Middle East St.*, pp. 237-271.

Source (1): *Yurt Ansiklopedisi*, (Jews, Protestants etc. are included in Others).

3.6.2 Society and class structure in modern Turkey

The change of ethnic and religious structure of Anatolia has been economically crucial to the early history of small business development in Turkey. Craftsmen's positions vacated by emigrants enlarged the opportunity space of the Turkish population in towns. Many unskilled artisans and peasants moved into jobs formally occupied by masters who had emigrated. In the absence of a diversified national class structure, solidarity had a strong influence on the society in the early years of the Republic. However, there was still a lack of a local bourgeoisie or the infrastructure for economic development in most areas.

Three developments which brought rural Turks into new positions appeared after the second World War. First, the provincial merchant class became stronger. Second, a much larger group of rich peasants emerged. Third, the state's policy of educational expansion and industrialization created a completely new layer of middle class and lower bureaucratic positions. This middle class continued to manage the state apparatus until the 1980s (Keyder, 1987; Mardin, 1980; Mehmet, 1983). Fourth, the ruralization of Turkish politics, in the sense of equality and aspiration of peasants, emerged in the 1950s together with a multi-party system (Szyliowicz, 1962; Mardin, 1980).

During the 1960s and 1970s the power of the bureaucracy and the state sector maintained its central position in society. The working class emergence in Turkish society in the 1960s as a parallel process to rapid urban growth and industrialization. The most remarkable development was the strong development of small enterprises in all sectors. A new class of merchants and private industrialists appeared with a concentration of wealth. However, the state continued to support the upward mobility in Turkish society through education and employment.

A new bureaucratic class was created through university education. Additionally, the number of State Economic Enterprises (SEE) and their employment continued to increase. Rural immigrants and the urban poor, concentrated in *Gecekondu*¹, added a new picture to the Turkish class system and cultural life with its own identity problems and economic marginalization. According to some researchers (Keyder, 1987; Boratav, 1990) when Turkey reached a deadlock of political instability and civil terrorism in late 1970s, the younger generation of these urban poor became active in different terrorist movements.

The Turkish army, which is one of the largest armies in the NATO, has a distinct character in Turkish society. It has traditionally played an important role in the creation of the Turkish Republic. The solidarity among intellectuals, civil bureaucrats and the army formed the basis of Kemalist reforms. Therefore, the Turkish army had a mission and

¹) *Gecekondu* means 'built at night' which is used as an expression for shanty houses in Turkish.

legacy to safeguard the Kemalist republic with military interventions seeking to restore the state power and democracy. This argument is subject to suspicion if each coup d'état is taken into account. However, the significant point should be made that it is the unique position of the army in the class system which blends rural and urban groups under the ideology of Kemalism.

Turkish society had reached, by the 1980s, a more diversified and complex social structure. To assess the part of the SMEs in this structure is not easy. First of all, SMEs with their presence in every section of the society and economic sectors actually blend different social and cultural identities. Second, not only the sector of the business itself but the social background of small business owners and workers also shows a large variety. Small businesses blend peasants, middle classes and marginal groups and urban poor on the bases of small property ownership and employment (Aksit, 1978). In addition, the concept of small property ownership and small businesses have been an important element of social harmony and stability in the Turkish politics.

The liberalization policies of the 1980s increased the some imbalances in Turkish society. Primary relations of distribution have shifted dramatically in favour of capital against labour. State spending on social services and education has been cut. Rentiers have been major beneficiaries of the economic environment of the 1980s while very small businesses and capital owners shrank through the negative effects of high inflation and monetary policies (Boratav, 1990; Keyder, 1987). A new brand of consumerist and entrepreneurial ideas has been widespread within the society. Small business ownership has increased among educated groups and professionals. Three trends have developed for small firms. First, a section of small firms has developed in parallel to the new entrepreneurial class. Second, some small firms grew quickly and joined to medium and large businesses as a result of liberal policies and political alliances. Third, a section of small businesses based on traditional artisanal works has barely survived; it has been impoverished or eliminated from the market.

3.6.3 Ethnicity, religion and family in Turkey

Business practices in SMEs are very much related to the ethnic and cultural aspects. Religion, family-kin and local ties are the most important aspects. Highly personalized and informal practices between employees and employers and business networks in local markets have many ethnic, religious and traditional elements. Within the capitalist relations of the market, small firms often rely on these social attachments for survival and growth. Similarly, gender roles and relations in small firms are important to show social divisions and relations in the work place.

Ethnic combination: The state ideology of modern Turkey is based on a uniform national identity in which every member of the society has equal rights without any class or group interests. Therefore, ethnic differences and different identities were denied and many groups assimilated in the national pot. Until recent years, the education system, media and government policies overlooked the ethnic mosaic in Turkey. There has not been a comprehensive study about it either. The last national statistics which provide information about the ethnic origin date from 1965. However a very detailed recent study shows that, including over 10 various Turkish and Turkic ethnic identities, modern Turkey has 47 different ethnic groups (Andrews, 1989).

Over 90% of the population is Moslem. Kurds and Turks constitute the Muslim population and there is also a small number of Armenians, Jews and Greeks living in the country. Turkey's main ethnic group is Kurds, who roughly constitute between 10% and 15% of Turkey's 56m population according to different estimates (Andrews, 1989). Although the Kurdish population is concentrated in the eastern towns of Diyarbakır, Maras, Mardin, Siirt, and Sırtak, there are many Kurds living in the big cities across the country. In recent years ethnic tension has rapidly increased as a result of suppressive government policies of earlier years and the bloody terrorism of the separatist Kurdish guerilla organization.

There are also ethnic Turks who belong to different sub-cultures and nomadic tribes, Moslem immigrants from Balkan countries, and other groups such as Avsar, Laz,

Georgians, Arabs etc. Nevertheless, there are not many visible differences among these groups despite the different languages, religious practices and cultural life. Sub-cultured identities are largely kept at local level within the community, kinship and family ties. As Dubetsky (1976) rightly points out, "kinmanship" is a very important element in Turkish society as a form of social identity for both Turks and Kurds as well as other ethnic groups. In this respects it also plays an important role in forming different combinations of solidarity.

Islam in Turkey : Heper (1981) indicates that secularism is not a recent outcome of Kemalism but has roots in the late Ottoman period in which institutional secularization occurred away from a complete theocracy. In this respect, Turkey has a unique position among Islamic countries. Kemalist reforms took nationalism as a substitute for Islam. The aim was a gradual crystallization of a Turkish concept of Islam, as a religion in the western sense of the term. A series of reforms took place in religious practices, such as the closure of religious brotherhoods. After the transition to multi-party politics in the mid-1940s, religion has been used for political considerations but also considered as a potentially dangerous social element. Governments have continued to control religious education and institutions in Turkey.

There are two main Islamic sects in Turkey, namely *Alevi* and *Sunni*. Until the 1990s the state intervened in religious affairs in favour of the Sunni belief. This long policy undermined already existing antagonism between these sects and incorrect beliefs about Alevi people. This policy mistake was corrected in 1991. However, the Turkish belief in Islam has been rather simple. It has been modernized in many ways during the relatively long democratic experience.

In recent years there has been a rise in popular Islam, but it is far from being a mass movement against central political authority because these groups are not outside the current political system. Islamic parties have been joining democratic elections since the 1960s. Industrialization, urbanization and exposure to the mass media, especially the influence of TV, have changed many of the social and religious attitudes of Turkish people

(Heper, 1981). Nevertheless, Turks are still searching for their identity between the east and the west, and between traditional-religious and modern cultures. As a result it is hard to draw a general picture of the society since there are still overlaps of contradictory beliefs and life styles.

Family, friend and kinship ties and hemseri 2 relations: There are three major concepts which social identity and solidarity are based. These are family and kinship ties, friends and *hemseri* relations. Kinship groupings in Islam had always been its basic social units. The Ottoman-Turkish social structure has been no exception. For the individual, the family has been the most important mechanism of integration. Traditionally, the father's authority in the family has been important. Parents should be obeyed and respected together with old members of the family. In the network of close ties among family and kin the survival of the descendant is given a high value. In that context, having a heritage and/or property is not regarded as just present activity but also future wealth to be passed to following generations. This includes business activities and firms. Therefore, small businesses are part of a family's assets in Turkish society.

The positions of male and female members of family are different. Males are thought to be economically responsible for earning income, whereas women should do the domestic work and run the family and house. However, modern Turkish society, with its deep and rapid changes, presents wide varieties in this respect. There are big differences among social and economic groups in terms of family and gender relations. Traditional values are under a slow transformation in small towns and rural parts of the country, whereas in big cities very modern and traditional practices exist side by side.

Nevertheless family and kinship are still important ties of individuals to varying degrees. This creates certain forms of solidarity and exchange for the welfare of family members. For example, Boratav (1990) explains how disadvantaged groups benefitted under liberal economic policies through their adaptation and defence mechanisms.

2) *Hemseri* is a term used for people who come from the same village or town.

Solidarity of families and kinship groups created new opportunities and domestic production expanded within the urban household.

Friendship and *hemseri* relations are also important to the social and economic lives of individuals. In his research among small and medium sized firms in Istanbul, Dubetsky (1976) found that the great majority of workers got their jobs through the networks of kinship and *hemserilik*. There is an increasing role of friendship groupings in urban areas and among highly urbanized and professional people. Kinship, *hemserilik* and friendship mediates businesses and impersonal relationships. These relations are based on the most crucial concepts: need for *sadakat* (loyalty) and *güven* (trust) in the Turkish society. One can only trust a kin, good friends or *hemseri*. This is an important issue for the business practices of small firms.

3.7 PROBLEMS OF TURKISH SMALL FIRMS

Problems of the Turkish SMEs can be summarized in a series of topics. These are: lack of information, low levels of research, difficulties and bottle-necks in finance, low levels of production technology, lack of adequate skills, poor access to raw materials, inadequate marketing, spatial problems, locational and regional inequalities, and lack of central and local government support. Most of these problems are well known by businessmen and researchers in this field and admitted by related government institutions as well.

Lack of information and research: Small firms cannot be considered as a developed sector in the Turkish economy. The size of most firms in terms of employment is very small, even considering the missing information of employment numbers in the national statistics. There is no clear classification for service and commercial businesses. Therefore, most of the statistical data on firm sizes are based on small industrial plants. Policies and institutions concerning the small firm sector are also largely focused on the industrial sector. Commercial and service sector firms are often overlooked in these policies and implementations. This situation is also evident for the SMEs research which

focuses on manufacturing small firms in different perspectives. Bademli (1977) makes a distinction between "factory" and "non-factory". He defines small artisanal firms as a non-factory section of the dual economy in case studies of Gaziantep and Eskisehir. Ayata (1991) focuses on capital accumulation and diversification in the small industry sector in Kayseri. Velzen (1977) analyses peripheral production of small and medium sized firms in Kayseri. Aktar (1990) assesses the putting-out of production of small textile manufacturers in Bursa and analyses forward and backward linkages, and the role of family labour in the process of survival. Müftüoglu (1989) analyses Turkish SMEs but does not assess commercial and service sectors. In all these works there is a lack of understanding of the sectoral and geographical dimensions of SMEs.

Financial resources: Small firms generally get their original capital from individual and private resources. They often face difficulties in obtaining long term capital from financial institutions. As a result, small enterprises have a shortage of capital which prevents them from utilizing their existing resources efficiently. They have also very limited access to credit facilities and bank loans for working capital because of their lower business credibility and limited security. The credits of People's Bank are usually insufficient and the bureaucratic process of decision making is long. High interest rates for bank credits is another obstacle. The riskiness of capital investment is also quite high due to instability in economic and monetary policies. This is valid for both new investments and improvements on existing capital.

Production technology and employment: The majority of small enterprises are imitators rather than innovators in terms of technology. Unskilled labour, less educated employers and poor management skills are recognized as basic handicaps of Turkish small industry. The competitiveness of Turkish SMEs is highly ambiguous in national and international markets with their competitors and large firms. Although the level of education of labour has improved since the 1960s, it is still far from the desirable level (see Table 3.10). Low labour wages and evasion of social security and employment laws by small firm owners have been a problem. Unregistered child workers and unskilled labour

have been common among small firms.

Table 3.10- Distribution of employment with regard to the level of education(%)

Education	1960	1970	1975	1980
Illiterate	72.2	44.9	35.3	29.7
Literate without diploma	-	11.5	9.2	7.0
Elementary school	23.0	35.7	45.6	48.2
Junior high school	2.1	2.6	3.7	4.8
School equiv. to junior high school & vocational sch	-	0.1	0.1	0.1
High School	0.8	1.3	2.1	3.6
Equivalent to h.sch (vocational)	1.0	1.7	2.2	3.2
University	0.8	1.4	1.7	3.4
Unknown	-	0.8	0.1	-
Total	100	100	100	100

Source: SIDO, Ankara, 1986.

Raw materials : Inadequate supply and procurement of raw materials increase the costs for small industry. It also has negative effects on production quality. According to a survey done by the Istanbul Chamber of Commerce, 62% of the small firms in the sample got inputs from the private sector, 20% from public sector, and 18% from imports. In Turkey the main public sector suppliers, such as PETKIM (the authority of Turkish petrochemical industry), TKI (the authority of Turkish coal industry) and Demir-Çelik (the authority of Turkish iron steel), dominate supplies, therefore small entrepreneurs are deprived of the chance to change suppliers or to buy in small quantities. Furthermore, raw material quality selected according to production requirements has not been properly recognized by entrepreneurs.

Marketing: Due to the lack of skill, knowledge, experience, and education, small firms neglect connections with the international market. They produce mostly for regional and local requirements. They try to use small niches in the market. The firms tend to communicate and make their job engagements by means of face-to-face contacts. Subcontracting and putting-out from big firms are limited and not continuous. There is no institutional structure in the country which can supply the necessary information about market changes and technology to small firms.

Spatial problems: Small firms carry out their business at worksites which are often insufficient with regard to space and hygienic conditions. Although the construction of small industrial estates has become increasingly common on the urban fringes of Turkish cities, they have certain constraints. First, these areas mostly do not get sufficient and appropriate technical and social infrastructure. Secondly, they are often areas of speculative expectations.

Locational and regional inequalities and environmental effects: In underdeveloped regions and cities, excess capital is not enough for industrial investments, while existing small firms lack capital. The income from agriculture is limited and investment capital does not move from developed regions to these areas. Moreover, human resources capacity is limited. Social and physical infrastructure and urban services are poor in these areas. Therefore, SME policies are not sufficient without a broader development of the economic and social policies. Similarly, concerning environmental policy, SMEs are incapable of investing in cleaner production techniques and considering the wider environmental effects of their production.

Policies of central and local government : SMEs sector of society is regarded as the "spine" of the democratic and political system. However, economic policies do not produce solutions to the problems of small firms. Similarly, governments have failed to maintain and control the implementation of working laws and taxation of small firms. Some restrictions in the legal system and bureaucracy have also encouraged misuse, e.g. the extra housing tax charged on firms employing more than 9 workers. Many small businesses have been increasingly under pressure from the high inflation rate with no governmental help and guidance. This has encouraged speculative interests rather than productive businesses. The policies of governmental bodies and institutions related to small firms have lacked coordination and cooperation of activities. Local authorities play little role in SME policies and the financial and the political system remains highly centralized.

3.8 CONCLUSION

Southern European economies have for decades had a gap between their modern state-owned and large private firms and small traditional businesses. This structure has encouraged the duality and petty commodity debates in the literature. In the Turkish case, the pre-1980 debate focused on small businesses as pre-capitalist, traditional production in a less developed economy. It was assumed that the development of the modern capitalist sector will eventually eliminate this sector. Some leading scholars such as Bademli (1977), Kiray (1978) and Dikerdem (1980) argued that petty-commodity production was not eliminated in Turkey because of the weakness of the modern capitalist sector. However, rapid urbanization and increasing unemployment created a sector of informal and marginalized works and self-employment in the Turkish cities. This situation has encouraged dichotomic approaches of formal-informal, modern-traditional sectors where marginal, traditional, and repairing works and self-employment intersect. These dichotomic approaches have had a certain level of validity, but not sufficient to understand fully the small firm sector in the Turkish economy and society.

Small firms have survived and transformed not only in Turkey and other semi-peripheral countries but also in advanced economies since the 1970s. However, the Turkish debate seems not to have been reformulated in the light of this change except in the works of two leading sociologists; Aktar (1990) on Bursa and Ayata (1991) on Kayseri. They suggest that small industrial firms in Turkey are fully a part of the capitalist economy and can diversify and develop capital accumulation through exploitation of labour by using old technologies. This work has shown that what is missing in the current debate is the *lack of an overall understanding about the level of transformation and integration of Turkish small firms within the changing world economy.*

The contribution of the thesis can be summarized in three areas. First, there has been a gap of theorizing and understanding of Southern European small firms. The dominant literature has been based on the experiences of advanced economies and third world countries. Turkey does not quite fit into the theoretical formulations which have

emphasised petty commodity production or post-Fordism and flexible specialization. Therefore, this thesis has had to bring new elements to the theoretical debate in order to analyse the specific structural and spatial characteristics of small firms in the special conditions of a semi-peripheral country.

Another weakness of most current small firm studies is the weight given to small firms in the manufacturing sector. This provides a rather narrow insight since service and commercial sectors are overlooked. These sectors have a large proportion of small firms in almost every country. As a result, structural differences of small firms, their relation to the local and national markets, and their relation to large and medium-sized firms can be better understood by looking at firms in different sectors. A second contribution of this thesis is to study at small firms in commercial and construction sectors as well as manufacturing.

The third theoretical weakness of many empirical researches and case studies of small firms has been their focus on a specific location and city, rather than analyzing different regional contexts and national trends. This thesis aims to overcome this problem by analysing Turkish small firms at local-specific levels within a general sampling framework. The research includes three cities from three different regions of Turkey. Medium-sized cities provide the main base for small firm development and hence should allow generalizations for a major part of the Turkish economy. The link between small endogenous firms and the development of medium-sized cities has been emphasised in the literature. This is also examined for the Turkish case in this thesis.

Four theoretical aspects are developed in this thesis. The first theoretical aim of this thesis is not to rely on one specific theoretical approach. Rather it aims to build a theoretical understanding for a semi-peripheral country using the main-stream lines of the current debate in order to reach a better understanding of Turkish small firms. The crucial question to ask is how far the process of change and transformation of small firms into the world economy is affecting the Turkish economy. Are Turkish small firms moving from traditional and artisanal sectors and becoming modern, integrated businesses? This process of change can be grouped into three categories to understand different survival strategies

and business practices. These are (i)integration, (ii)transformation and (iii)backwardness. In this context capital accumulation by small firms in different sectors, and their relation to the large businesses must be analysed.

The second theoretical aspect of the thesis is to point to where advanced and developing country experiences and theories intersect. The nature of small firms is based on the non-institutional structure of production, service and management style and family involvement. Small firms run on a highly personal basis in different economies, as anthropological and micro economic analyses indicate. From the analytical point of view the family, friends and social environment of small firm owners are often essential for start-up, survival and growth. Therefore, the characteristics of business owners, family and friends' involvement, and socio-cultural aspects, must be examined to determine the role played in the process of capital accumulation, survival and growth of SMEs.

The third theoretical aim of this thesis is to analyse the specific economic performance and business relations of small firms. This seeks to give an insight into small firm economics and their utilization of resources. Evidence developed in the thesis shows that the competitiveness and survival of small firms vis-à-vis large ones are related to the form of growth, labour practices, use of technology, input-output relations and informal networks of business practices of small firms. These determine their performance and role in the local and national economy.

The fourth theoretical aspect of the thesis concerns the local processes and regional characteristics which affect small firm formation and growth. There are two main areas for such an inquiry: first, how far local peculiarities affect the globalization and transformation process of small firms within Turkish national trends; and second, what are the effects of the social and institutional structure of regions and cities on small firm growth and survival.

CHAPTER FOUR

SURVEY METHODOLOGY AND DATA ANALYSIS

4.1 INTRODUCTION

This chapter summarizes the survey methodology and the data analysis in the thesis. The empirical study is primarily based on a survey of small business through a questionnaire as well as a series of semi-structured interviews and case studies applied to three survey cities and four sectors. The definition of small firms is a problematic issue because small firms are not homogeneous. Therefore, various criteria had to be implemented for selecting and administering the survey questionnaire. Extensive and intensive research methods are used as complementary methods in the empirical survey.

The chapter consists of four parts. The first part formulates the research questions and the target population. The definition of sectors and criteria for selecting the survey cities are explained in the second part. The sample design used in the empirical survey is introduced in the third section. The problems of data collection are discussed and the rationale for the quasi-random sampling is explained. The importance of local links and agents such as the chambers of commerce and industry is examined as a key part of the survey. Similarly, the geographical locations of firms and various contact points are considered in the sampling design. The final section focuses on the use of statistics and non-parametric tests in the thesis. It also explains how the case studies, semi-structured interviews and contingency tables are utilized in the text.

4.2 DEVELOPMENT OF THE SAMPLING FRAMEWORK

The theoretical discussion in the previous chapters shows that small firms occupy an important place in both the local economies and society in Turkey as well as in other

Southern European countries. In the light of the theoretical debate, the survey of small firms in this thesis is based on three main distinctions. These seek to examine: (i) the sectoral variations of small firm structure and survival, (ii) the association between the growth of medium-sized cities and indigenous small firms, and (iii) the nature of the effect of small firm structure on growth and survival dynamics. The research methods aim to avoid a narrow one-sided view of small firms by simultaneously examining sectors, cities and structural themes.

Such an inquiry needs both extensive and intensive research techniques in order to grasp general trends as well as particular relations. However, there are difficulties in designing such a survey in the field of small firm research. This chapter focuses on the design of the empirical survey. It explains the various steps of the research and sheds light upon some of the difficulties and shortcomings. The question of the depth and breadth of a survey will always be problematic. Because of the extent of variation expected between firms it was seen as essential that a relatively large sample of firms was used. At the same time, a series of semi-structured interviews, anecdotal information, and case studies increased the depth of the inquiry. This allowed aspects of enquiry that were unforeseen at the questionnaire to be included in the discussion where they arise.

4.2.1 Research questions and hypotheses

The research aims to investigate the characteristics of small firms in different regional and sectoral contexts. There is wide range of issues regarding small firms in the literature as discussed in Chapter 2. However, the structure and performance of small firms have not been much studied in the case of semi-peripheral countries. The local and regional dimensions of the issue is often overlooked. The economic growth and the concentration of small firms in medium-sized cities has not been adequately studied previously. However, small and medium sized firms do play a very substantial role in employment and wealth generation in these cities.

There are four further hypotheses which the thesis investigates. First, there is a growing emphasis on local characteristics and small firm development in the Southern European literature. The research questions the regional and sectoral differences and their effect on the dynamics of growth and survival in small firms. Second, it evaluates the concepts attributed to small firms such as competitiveness, dynamism, innovativeness and flexible specialization in the case of Turkish small firms. Another field of inquiry is the role of small firms in the local, regional and national markets in terms of business linkages, employment creation and supply of goods and services. Fourth, social and business networks, family and friends involvement are found distinctive in small firms. These issues had to be investigated in the empirical survey with an appropriate research method. The research analyses these issues within the dynamics of small firm survival and growth. The aim has been to achieve both a general and also a particular understanding of various issues and inter-linkages among factors.

Therefore, there is a need to focus on various sectors, places, and organizational and structural characteristics of small firms. First, the survey sectors provide information about the dynamics of small firms and their role within a particular sector. Input-output relations, technology and skills, and characteristics of entrepreneurship should be investigated within a sectoral context. Second, the survey cities are chosen to analyse the dynamics of medium-sized cities and the effect of small firm development on urban and regional economies. Third, organizational and economic characteristics of small firms such as business and social networks, family and friends involvement, and size and age of firms are analysed in order to grasp underlying characteristics of small business survival and growth.

4.2.3 Target population in the survey

As small firms do not have specialized management and different locations, such as branch plants, the source of information is the entrepreneur or the business owner.

"Entrepreneur" is a term used with a specific meaning associated with distinctive personal

achievements, innovativeness, and business success. As it is hard to develop objective measures about personal achievements and success, the terms of entrepreneur and business owner have had to be used interchangeably in this study. However, the study is aware of the dangers of assuming that all small firms are innovative and it recognizes the complex set of factors and opportunities which enable small firms to survive and grow.

There are various limitations to obtaining data about the size distribution of the target population for the survey. Up-to-date statistical data regarding size distribution, birth and death rates of small firms in various sectors is extremely hard to find in Turkey. However, there are some sources of information which can be used to assess the extent of small firm development. The State Institute of Statistics, local institutions such as the chambers of commerce and industry, and training schools have various data records, although they are not consistent with each other. The thesis mainly uses the information from the chambers of commerce and industry, artisanal and professional associations, and training schools. These sources provided not only statistics but also valuable information on local businesses and business structures.

4.2.3 Areas of inquiry

The research focuses on four dimensions: (i) the effects of a firm's size and growth, (ii) linkages between firms and the local market, (iii) social and cultural context, and (iv) the levels of entrepreneurship and human capital. Each is examined in the four survey sectors and three cities. Each firm was questioned with respect to two research approaches. Firstly, a structured questionnaire survey of small firms was designed to obtain the core information about each issue in each survey area and sector. In addition, because some issues were hard to evaluate through direct questions in the empirical survey (e.g. profits, the type of involvement of the female members, etc.) semi-structured interviews and case studies were also used with local informants and businessmen, associations and the chambers of commerce and industry. These sought to provide complementary and particular knowledge regarding each area of the research. The chief

issues examined under each of these headings are grouped as follows:

- i) Firm size and growth
 - 1) Change of size of capital and labour over time
 - 2) Use of technology and machinery
 - 3) Structure of firm ownership and location
 - 4) Capital formation and profits
- ii) Linkages between small businesses and the local market
 - 1) The features and performance of small firms
 - 2) Inter-linkages among large and small firms
 - 3) Market prices and competition
 - 4) Input-output relations in different sectors
 - 5) Local labour market and sectoral segmentation
- iii) Social and cultural context
 - 1) Effects of traditions and value systems in local markets
 - 2) Customers and social network of entrepreneur in local market
 - 3) Role of gender, ethnic and religious issues in small businesses
 - 4) Importance of personalities and social and friendship networks
- iv) Entrepreneurship and human capital
 - 1) Entrepreneurial capabilities, educational level and social class of entrepreneur
 - 2) Aspirations and expectations from the business
 - 3) Previous job or self-employment experiences and family business history
 - 4) Importance of involvement of the immediate family and other relatives
 - 5) Employment skills and work conditions

4.3 DESIGN OF THE SAMPLING METHOD

This thesis suggests that it is equally important to bring together the knowledge of individual experiences and the knowledge of the entire sample population for a strong explanatory power in small firm research. Therefore, extensive and intensive research methods are seen as complementary not contradictory, as Sayer and Morgan (1985) argue. The research also recognizes the importance of interaction between the researcher and subjects of the research. A large scale survey was developed to obtain a representative group of the target population and to fulfill research concerns and questions. This extensive survey of small firms was implemented through a formal questionnaire. The sample was drawn from four sectors in three survey cities. However, some detailed and particular cases are also studied through anecdotal information, life stories and semi-structured interviews. This type of information provides the knowledge of individual cases. Informal meetings and talks have been very useful in order to construct different

relationships among local-cultural elements and different forms and practices in small businesses. This type of unstructured data has also been very useful for statistical analyses and data interpretation. Therefore, this thesis tries to develop the integrity between the statistical analyses of large sets of data and the particular forms through in-depth analyses and case studies. A large amount of anecdotal information has also been gathered. The intensive case studies and semi-structured interviews have thus been a full complement to the extensive sampling survey.

4.3.1 Definition of sectors

In order to observe various sectoral structures and trends among small businesses, three broad sectors were defined as the focus for this thesis: commercial, manufacturing and construction. Within these sectors sub-sectors were selected for the survey. These are retailing consumer durable goods, wholesaling foodstuffs, manufacturing of machinery and parts, and construction. The size of these sectors in each city is strategic for investigating local economic development and the business climate. The number of firms in these sub-sectors is small compared to some other small business sectors, such as various small shop keepers and repairers, but the sectors researched are more crucial for the local economic base.

The first two sectors are commercial businesses, which are significant for analyzing local economies, and small firms. Retailing of consumer durable goods through franchising agreements is a widely spread modern business. It is interesting to study as it demonstrates linkages between small businesses and large producers and marketing companies. Wholesaling foodstuffs is a traditional activity undergoing rapid change. It has larger geographical areas for marketing and distribution compared to small businesses in other sectors. Therefore, regional and national links can be observed in input and output relations. Manufacturing of machinery and parts is important for the assessment of the level of local technological improvements in production and its business linkages. The construction sector, with its wide backward and forward linkages can be used to give a

broader understanding of business linkages and performance of local economies.

These sectors are treated separately and there is no attempt to explain any specific relationship among them in the survey. They are not usually major direct suppliers to each other. As there is no general relationship between them, these sectors can be used to give a broad spectrum of different aspects of small firms. In particular, the different sectors are used to analyse any association with entrepreneurial characteristics, and survival and growth strategies in small firms. This type of investigation enables us to investigate sectoral variations and particularities within the general analysis of the small firms in Turkey.

4.3.2 Criteria for selecting cities

This study takes medium-sized cities as the target for research on small firms. Neither rural characteristics of small towns nor the complex networks of the metropolitan centers would be appropriate foci of the research on the geographical characteristics of small business development in Turkey. Despite the economic domination of the metropolitan centres, medium-sized cities are the main foci of location: 40.5% of the Turkey's urban population (11m) lived in 45 cities between 100,000 and 500,000 in 1985 (SIS- The Census of Population in 1985, 1989). In recent years these cities have experienced economic growth and started to attract migration. Their economic growth, which was based on endogenous development, has not been assessed. Analyzing these cities and their small businesses also provides a better understanding of endogenous development dynamics of medium-sized cities in Turkey.

The Aegean and Marmara region is the most developed region with 57.03% share of the gross domestic product. It is followed by the Central Anatolian region (17.73 %). The least developed region is the East and Southeast Anatolian region with a 7.19 % share in the gross domestic product in 1986 (ISO, 1988). The economic characteristics of these regions are briefly analysed.

i)*The Aegean -Marmara Region* has the principal industrialized cities such as Istanbul, Kocaeli, and Izmir but the southern part of the region, the so-called the Aegean region, is relatively less industrialized compared to the region of Marmara. Both have a prosperous agricultural sector. In the Aegean region, tourism has become a flourishing economic activity since the beginning of 1980s. Two medium-sized cities, Manisa and Denizli, have traditional small businesses and manufacturing activities as well as a fertile agricultural hinterland. These regions have been performing well economically for the last ten years.

ii)*The Mid-Anatolian Region.* Ankara is the main metropolitan centre followed by Konya. Kayseri comes third and together with Konya has a growing number of small businesses. The region is the centre of cereal production in Turkey and has mainly a rural characteristic outside the largest urban areas. Tourism has also been developing in this region in recent years, especially in the area of area of Cappadoccia.

ii)*The East and Southeast Anatolian Region* is the least developed area in Turkey. The Southeast Anatolian Project (GAP), which includes a series of dams and an irrigation network, aims to improve agriculture and economic development in the region. However, Gaziantep is the only city which has a well developed and large small business sector in this region. One of the five centres of KÜSGET (Small Industry Development Organization) was established in Gaziantep in the 1970s.

Initial investigation showed that there might be five alternative survey areas in these three regions. These are Denizli, Manisa, Kayseri, Konya and Gaziantep (see Table 4.1). The second stage in choosing survey cities was to look at the economic indications for selecting these 5 possible cities. Manisa city has too small a population. It has three large townships: Akhisar, Salihli, and Turgutlu. In fact, It has also been experiencing economic development as a satellite city of the Izmir metropolitan area and is thus unsuitable as a sampling base given the requirements for a relatively bounded local economy. Therefore, an independently growing middle-sized city, Denizli was selected from the first region.

Table 4.1- Population (1985) and the value added of provinces (1986)

	(1)Population (1985)		(2)Value added share in Turkey (%)		
	Province city	Total province	Manufacturing	Construction	Commerce
<u>I. Region</u>					
Denizli	251,418	667,478	1.03	1.05	1.82
Manisa	184,452	1,050,130	1.42	2.34	1.01
<u>II. Region</u>					
Kayseri	488,429	864,060	1.18	1.09	1.07
Konya	521,287	1,769,050	1.34	2.12	2.92
<u>III. Region</u>					
Gaziantep	559,111	966,490	0.77	0.81	1.49

Source: (1) SİS- The Census of Population in 1985, Ankara, 1989. (2) ISO- Istanbul Chamber of Industry, Istanbul, 1988.

When the value added share of the provinces between 1979 and 1986 is considered, Denizli in the commercial and agricultural sectors, Gaziantep and Kayseri in the manufacturing sector increased their shares of the national total. Between 1979 and 1986 Konya's value added share fell in all sectors, while Manisa had the greatest increase in the agricultural and manufacturing sectors among all of the five cities. In 1986 the value added share of the five provinces in the Turkish economy was relatively small and similar to each other. Only Konya and Manisa stood apart from other cities with slightly large shares in three sectors. Since Konya has been growing too fast and becoming a metropolitan centre with government investment, Kayseri was selected from central Anatolia as one of the case study cities.

Consequently, the survey areas of Denizli, Kayseri and Gaziantep were chosen. These medium-sized cities have quite similar economic structures. The distribution of the working population across sectors indicates that employment structures are quite similar despite their peculiar characteristics in different regional contexts (see Table 4.2). Agriculture is the main economic sector in all of these cities. The proportion of employment in this sector is over 50% in the survey cities. It is followed by the community services sector which employs around 14-15 % in Gaziantep and Kayseri. Manufacturing has similar proportions at around 13 -14%. Denizli has a higher agricultural (62%) and a lower community social services share (11.5%) than the other two cities. The employment proportion in the wholesale and retail trade in Gaziantep is significantly larger (9.3%) than Kayseri (6.6%) and Denizli (5.8%).

Table 4.2- Employed population or population who continue having a job (12 years of age and over) in 1985

Sectors	<u>Gaziantep</u>	<u>Kayseri</u>	<u>Denizli</u>
Agriculture	167,778 (53.0%)	167,940 (53.8%)	193,202 (61.9%)
Mining	215	1,655	1,795
Manufacturing	43,293 (13.7%)	43,487 (13.9%)	38,111 (12.2%)
Electricity	429	45	355
Construction	12,337 (3.9%)	15,704 (5.0%)	12,314 (3.9%)
Wholesale/retail/restaur-hotels	29,355 (9.3%)	20,612 (6.6%)	18,254 (5.8%)
Transport and communication	12,309	9,484	7,469
Financing/insurance/service	3,443	4,117	4,061
Community social services	45,731 (14.4%)	47,083 (15.1%)	35,796 (11.5%)
Other	1,687	1,882	888
TOTAL	316,577	312,009	312,245

Source: SIS- The Census of Population in 1985, Ankara, 1989: pp. 136-137.

4.3.3 Definition of small firms

Manufacturing firms with fewer than 50 employees are considered small by some researchers. The official definition and available statistics introduced the 50 employees criterion in 1989 in Turkey. Therefore, this study adopted Turkish standards for manufacturing sector firms.

For commercial and construction sectors the definition of a small firm was made through the chambers of commerce and industry, and local informants. The criteria are capital size, business volume and employment numbers and the legal status of the business. However, the registered data were not accurate and in many cases were not available for use. Therefore, a combination of different methods had to be applied. First, the business associations were approached and asked to indicate small firms. Second, staff of chambers of commerce and local businessmen who knew their business market for years were used. Third, the telephone directory and business booklets were used as a source of information about firms. From this sample the final survey firms were chosen. This method can be biased if the number of small firms were not large in the survey cities. However, small firms dominate local markets in medium-sized cities. Many professional construction businesses and retailing of consumer goods are small in terms of organization and the business volume in these sectors.

4.3.4 The survey questionnaire

We intended to implement the same survey questionnaire in all sectors. The research arguments and hypotheses were introduced and some issues of investigation needed particularly careful design. For example, questions about the size of firms, capital investment and profits are usually not welcome by small firm owners. Ways of gathering this information as well as the length and variety of issues covered in the questionnaire, and the form of open ended and structured questions were assessed during a pilot survey. After developing several alternative designs of the questionnaire, the final version was piloted with three firms in Istanbul. It was then re-designed as a result of this piloting. Detailed questions about employees and annual earnings were simplified as business owners hesitated to give information about these matters. Similarly, the expressions of some questions had to be changed in order to avoid misunderstandings.

The final version of the questionnaire includes six sections (see Appendix B). The first section concerns the identification of the firm, including its location, sector, establishment year and legal status. The second part of the investigation is about the locational dynamics of the firms, their urban services and site ownership. Thirdly, the technology and work organization of the firm is analysed. For manufacturing firms, the average age of the machinery and the proportion of second hand machines were investigated in order to assess the technology of production. In commercial and construction firms this section of the questionnaire covered the type of equipment used in the firm, e.g. fax or computers. The fourth section examines input-output relations and market competition. Labour use and skills were looked at in the fifth section. Some detailed information about the backgrounds of employees in the empirical survey had to be cut due to difficulty of getting useful information. The sixth section examines the capital structure, business formation and entrepreneurial characteristics. The entrepreneurs' age, family background and their aspirations and future plans are investigated.

4.4 CHOOSING AND ADMINISTERING THE SAMPLE

The survey aimed to follow a sampling strategy that would yield information that is representative of all small firms in Turkey. There are two strata for sampling the target population. The first stratum is that of the three cities; Gaziantep, Denizli, Kayseri. The second stratum is across the three sectors; commerce in two subgroups, manufacturing and construction. The result is an attempt to implement a stratified random sampling design with two chief strata. In this two dimensional structure there are eight sub-sample categories. A random sampling technique was used as far as possible to implement the actual choice of firms so that each member in the population would have an equal chance of being included. A strict definition of a random sampling demands that each member of the sample is selected independently of all other members. There is no standard or minimum size of sample. It depends on the size of the sample population and the type of statistical analyses used. However, the power of the statistical analyses increases with the sample size, and the power of significance tests increases for samples larger than 10 (Siegel and Castellan, 1988). In this survey the size of the sample is initially defined as 75 firms per city evenly distributed across sectors. However, this target had to be reformulated during the survey.

4.4.1 Problems of data collection about small firms

There were a number of problems encountered in obtaining accurate data on small firms in the three survey areas. Chambers of commerce and industry, and artisanal associations, were the basic source for identifying the characteristics and sample firms in different sectors. However, their records were not up-to-date. This was due to rapid changes in the small business environment through diversified business investments,

closures and new formations. Also, information about the size of the firm's capital or profit was often confidential.

First, available directories and information about firms were often defined in broad categories without any reference to the size of firms. For example, in the construction sector there were 608 individual and simple partnerships and 381 cooperatives and companies registered with the Gaziantep Chamber of Commerce. This classification included several groups: contractors, sub-contractors, engineers, cooperatives and construction companies. This is a typical case observed in both the chambers of commerce and industry, and artisanal associations in all survey areas. Second, small business owners change their production, partnership structure and may cease the business or diversify the business in even relatively short time periods. Unfortunately, these kind of changes were not often recorded. There was also double registration of small firms with chambers and artisanal associations. In Gaziantep the KÜSGET site had over 2000 small workshops in repairing and manufacturing. Most of them were registered with artisanal associations. A small group of them were also registered with chambers of industry. Similarly, dual membership was also observed in Kayseri and Denizli. These complications made it difficult to define the population by sector and size in each city from which sampling could take place.

Third, there was a lack of geographical definition in the available records. Villages and townships of the province city were often included in the records of business associations. This thesis focuses not on the province boundaries but on municipal boundaries of the survey cities. Therefore, data based on mixed geographical boundaries were hard to use. Finally, the size of the firm cannot easily be understood in these records. Moreover, chambers of commerce and industry, and associations were not willing to work on their data bank to classify and organize their records based on geographical and size definitions.

As a result the sampling and administration of the survey could not be entirely systematic and unbiased. The consequence was that sampled population was identified through a variety of methods with as far as possible a random selection used. The result was that a quasi-random sampling technique was applied in practice. The selection of the sampled firms was based on three survey sources: associations and chambers, spatial distribution, and personal networks of individuals and entrepreneurs.

4.4.2 Strategy of quasi-random sampling

The survey targeted firms which are legal entities, registered with various institutions and continuously involved in their current business in a shop or working site. In addition to problems of accurate data, the diversification of businesses by sectors was another difficulty that had to be overcome. For example, there were some small firms selling consumer durable goods as well as other goods, like kitchen utensils, and cutlery. Similarly, many repairing firms occasionally produce small machinery parts, or retailers occasionally do wholesaling. These wider types of activities were excluded from the survey.

In order to gain access to firms, the experienced staff in associations and chambers of commerce and industry were used to develop contacts with chairmen of the business associations and industrial sites, and some entrepreneurs. They also provided estimates of the number of firms for each survey sector in the municipal borders of the city after excluding mixed and irregular businesses in the sector. Although the accuracy of their prediction is questionable, they offer a base for the study. Their estimates are shown in Table 4.3 together with national statistics and the realized estimate from the sample for each city and sector. As can be seen from the table, the sampling proportions were closely in line with the population size estimation for each sector.

To control the influence of association between individuals and sampled firms, a

sample was drawn which had a geographical spread in each city across the survey sectors. Manufacturing sites, organized industrial zones and shopping areas tended to focus the geographical concentration of businesses in each city. The sample was drawn from to reflect different sites, such as various parts of the city centre and different industrial sites in the survey cities.

Table 4.3- Number of small firms in each sector estimated by different sources and the sample size in each survey city (1)

a) The Sample design in Gaziantep

Sectors	Local estimates(a)	Administered sample size	Census data(b)
Retailing durable consumer goods	60	9	115
Wholesale of foodstuffs	160	15	536
Manufacturing of mach. & parts	250	25	181
Construction	200	25	52

The sample size in Gaziantep=74

b) The sample design in Kayseri

	Local estimates(c)	Administered sample size	Census data(b)
Retailing durable consumer goods	75	12	91
Wholesale of foodstuffs	100(d)	13	239
Manufacturing of mach. & parts	30	17	45
Construction	250	25	150

The sample size in Kayseri=66

c) The sample design in Denizli

	Local estimates(e)	Administered sample size	Census data(b)
Retailing durable consumer goods	100	13	119
Wholesale of foodstuffs	160	12	90
Manufacturing of mach. & parts	160	25	54
Construction	200	25	129

The sample size in Denizli=75

¹⁾ (a) Estimate of Gaziantep Chamber of Commerce and Industry in 1990. (b) The Census of Industry and Business Establishments in 1985, The State Institute of Statistics. (c) Estimate of the Chamber of Commerce in Kayseri, 1990. (d) Estimate of the Chairman of the Wholesalers' Company in Kayseri in 1991. (e) Estimate of Denizli Chamber of Commerce in 1990.

SIC (Standard Industrial Classification) of the survey sectors in the State Institute of Statistics is as follows: 6233 (Retailers of Consumer Durable), 611 (Wholesaling of Foodstuffs), 382 (Manufacture of Machinery), 501 (Building Construction).

4.4.3 Administering the survey questionnaire

The field survey was conducted by the author between July 1990 and January 1991. Around five weeks were spent in each city. Gaziantep was the first survey city and its was followed by Kayseri and Denizli, respectively. Initially, the chambers of commerce and industry, business associations and municipalities were informed about the research. They were asked for their guidance several months prior to the survey. Despite the length of the questionnaire, small business owners were often willing to talk at length about their business and its problems. However, they were also cynical and suspicious about the importance and benefit of such a survey for their business. In that respect, local contacts were crucial to build confidence. In addition, some entrepreneurs and local informants were uncomfortable with the style of structured questions. Informal meetings, meals and social events could often be used to obtain information about these businesses and the entrepreneurs. These and other observations were collected in notes together with anecdotal information.

Entrepreneurs, shareholders or family members who are regularly involved in the business were approached as subjects of the questionnaire. During interviews sometimes other entrepreneurs or sometimes a staff member from a local institution assisted the researcher to build confidence and develop contacts. Care was taken not to rely on the help of one type of local contact as business environments were often fragmented sectorally and spatially alongside friendship ties, so that too great a use of one informant or local contact might have biased the quality of the responses.

Locational differences reflect market divisions and structural differences among firms. The geographical distribution of small firms in the urban areas is an important aspect of the field work. Random sampling aimed to include all different areas of location

for each particular sector in the survey cities. Urban planning and land use maps acquired from municipal units were useful to design the geographical random sampling.

There had to be some variation in the administration of the survey questionnaire across sectors. Retailing of consumer durable goods has three main different locational behaviours observed in the survey areas. Sample firms were selected from these three areas. First, there are shops located in the central business district alongside main shopping streets. Another type of location was on the main streets of newly developing high income housing areas. Third, consumer durable retailers' shops located in traditional or old city centres surrounded by bus stations serving villages and townships.

Wholesaling of foodstuffs had large trucks coming, loading and unloading. Therefore, they occupied fringe areas of the inner city. These were around old and less desirable parts of the city centre. Wholesalers also concentrated along the main road axes of the inner city areas and planned sites such as in Kayseri. Due to traffic restrictions and the locational tendencies of the businesses, wholesalers tend to concentrate in particular parts of the cities.

Manufacturing also had some geographical foci which guided the sampling strategy, but these areas were more specialized and scattered than the other sectors. The most common form was organized working sites which started to develop after the late 1950s. For example, in Kayseri *Eski-Orta-Yeni Sanayi* (Old-Middle-New Industry) in Gaziantep KÜSGET were these type of sites. The second type of location was around the old city centres and squatter housing areas. Third, are organized industrial zones which mostly have large firms, but they also have some small manufacturing firms. A fourth location of dispersed manufacturing establishments around the main intercity road axes and urban fringe were also included in the survey.

Construction firms mainly locate in the central business district in specialized office buildings close to professional firms such as lawyers, doctors, and accountants. However,

they also had dispersed offices in the city centre and around newly developing housing areas.

Table 4.4- Sample drawn from four sectors and three cities

Sectors	Number of sample firms per city			Sector TOTAL
	Gaziantep	Kayseri	Denizli	
Retailing durable consumer goods	9	12	13	34
Wholesale of foodstuffs	15	13	12	40
Construction	25	25	25	75
Manufacturing of mach.&parts	25	17	25	67
City TOTAL	74	67	75	216

4.4.4 Semi-structured interviews and anecdotal information

The fieldwork was not limited to small firm owners. In order to understand various aspects and relations regarding the survey sectors, it was also necessary to approach different institutions and individuals. Chambers of commerce and industry, training schools and some employees were used to develop a wider understanding. Personal contacts were useful to obtain details about businesses and entrepreneurs. The semi-structured interviews conducted as follows:

- i) Chambers of commerce and industry were the main contact points in each city. Their support and help to the survey was important to develop local contacts and approach firms and institutions. They provided information about local economies and SMEs.
- ii) Presidents of the business and professional associations were interviewed.
- iii) Organized industrial zones and planned working sites were visited and the directors or the chairman of working sites were approached.
- iv) KÜSGET (Small Industry Development Organization) of Gaziantep was visited, the director of the organization and an engineer were interviewed.
- v) Apprenticeship and training schools were visited and teachers interviewed in Kayseri and Gaziantep.
- vi) Semi-structured interviews with some employees and child workers in manufacturing,

and two sub-contractors in the construction sector gave a deeper understanding of work conditions and labour market.

vii) Municipalities were approached to obtain data on small firms, urban planning and the land use.

viii) The universities in Gaziantep and Kayseri were visited. Denizli had some branch faculties of Izmir Dokuz Eylül University. However, in general, their research on local economic development was found to be weak and was of little use to the study.

ix) Contacts with some local entrepreneurs from other sectors (textiles, carpet weaving, etc.) were developed in order to observe the wider local networks of entrepreneurs.

x) Some local meetings and seminars provided valuable observations. In Gaziantep there were meetings of businessmen in the Lions and Rotary Clubs, and the apprenticeship training scheme; in Kayseri there were the conference on urban planning and a seminar of the Turkish Institute of Standards; and in Denizli an urban planning committee meeting was used.

4.4.5 Researcher's position in the survey areas

In Turkish society, where trust and loyalty are at the centre of social and business relations, it is important to build some kind of personal confidence and relationship in order to conduct empirical research. In addition, three types of hostile attitudes had to be overcome. First, small firm owners dislike government surveys for fear of taxes or for fear of being caught for illegal use of labour. Second, the firm is often seen a part of personal and family life, and the business owner may not like to give details about the business to a stranger. Thirdly, the concepts of research, and association with a university appear as highly theoretical, and of little help or benefit to the small firm owners. Despite these forms of hostility entrepreneurs were generally very keen to talk about their business problems and life stories provided they could at first be convinced of its value and a

relationship of trust developed. This involved considerable time and care in the administration of the survey.

In three survey cities local contact points in various local institutions were tremendously helpful to open closed doors and develop personal thoughts. Personalities did matter a lot. Therefore, respectable figures and business associations were important to use to build confidence. In time businessmen themselves introduced further contact points. Small firms also had a male-dominated atmosphere in each survey areas. This created a specific set of difficulties to be overcome for a woman researcher who was also a stranger to the social networks of the survey cities. Although this made it difficult to develop initial contacts and understanding of the survey, it was readily overcome. Mainly respect and interest were shown to an educated outsider woman. Similarly, despite their cynical attitudes, entrepreneurs also showed a certain degree of respect for the academic research as this kind of survey has been undertaken very rarely.

4.5 THE USE OF STATISTICS AND PRESENTATION OF DATA IN THE THESIS

After the completion of the fieldwork another process began, the evaluation and processing of data. This took around one year. There were several steps for organizing the data and preparing for statistical analyses. This was followed by the design of the statistical method and the computer analysis. The overall process can be summarized in broad categories:

- i) Organizing anecdotes and case studies of the survey under related subjects.
- ii) Coding the questionnaire data for statistical analysis and developing the measures of variables.
- iii) Keying the data into computer.
- iv) Using the package programme (SPSSX) for the large data set.

- v) Checking the data and correcting keying mistakes.
- vi) Simple descriptive statistical analyses to see the general features of data.
- vii) Focusing on some detailed arguments and hypothesis testing.

4.5.1 Design of the statistical model

The statistical approach of the thesis is aimed at understanding the general features of the data but at the same time investigating relationships among different sample variables and parameters. It was important to design a statistical model for testing hypotheses and arguments. The thesis aims to reach a broader, general understanding of Turkish small firms in two dimensions. These are sectoral and geographical specifications of small firms. Statistics alone do not enable us to develop a complete understanding of the type of relationships among variables and particular cases. Therefore, anecdotal information, case studies, observations and secondary sources were also used as an important complement to strengthen the power of arguments and interpretation of the statistical analyses.

The statistical model of this thesis was developed from the nature of the population and the manner of sampling. As statistical tests are valid only under certain conditions, the model and measurement requirements had to specify those conditions. As the power of a test increases with the sample size, the number of observations and frequency percentages were first examined as a common statistical presentation in order to determine which sub-categories of relationship could be examined given the observed sampling frequencies. Second, as most of the parameters in this survey are in nominal and ordinal scale, non-parametric statistical tests were the main approach used to search for particular associations.

4.5.2 Use of non-parametric statistical tests

The type of data and the hypothesis of the thesis determined the number of parameters that could be examined and ensured that the focus was on non-parametric tests.

Statistical analyses and measures in this survey are largely based on *Nonparametric Statistics for Behavioral Sciences* by S.Siegel and N.J. Castellan (1988). A series of conditions required for the non-parametric analyses are listed below:

- i) Data are based on random sampling.
- ii) In the analyses there are more than two independent samples (r x k tables).
- iii) Relevant measures for this type of data are Chi-square (X^2), Cramer Coefficient (C), and Lambda (L).
- iv) In the analyses of significance tests the percentage of cells with expected values less than 5 should be 30% or less in order to be considered valid. The evidence of association is chosen for this thesis is in the range between at the .001 and .10 significant levels.
- v) Adjusted cell residuals (z) are analysed in order to point out differences in tables and determine which results cannot be expected to be the result of chance. Cell residuals show the discrepancies between the observed and expected values. The significance levels for the normal two-tailed distribution are used. At the .05 level of significance there is evidence of association if the cell residual (z) is $-1.96 \leq z \leq 1.96$. If $z \leq -1.96$ this indicates that the expected value is greater than observed value. In this case there are lack of cases in that particular cell. If $z \geq 1.96$ this indicates that the observed value is greater than the expected value *and* there is an excess of cases in the particular cell. Parameters are mostly nominal and categorical.

4.5.3 Design of contingency tables and significant tests

Having described the general features of the use statistical analyses under different assumptions, this section briefly focuses on how contingency tables are developed and presented in the text. The survey had large sets of samples divided by sectors and cities. Cross-tabulations have been used to present the general features of the small firms. There are many frequency tables presented. It is believed that most of them represent the general

situation. However, it is not always possible to conclude or understand the type of relationships between variables and a set of combinations in these tables. In a large set of categories and variables it is important to focus on the main line of associations and relationships. Significance tests provided some information about the type of the relationship between parameters in the whole data set. They were also very useful for understanding particular relationships between sub-groups of variables.

Therefore, nonparametric tests, mainly Chi-square significance tests, were used for investigating various relationships and associations in the survey. They are introduced in the contingency tables in the main relevant cases. An example is shown in Table 4.5. An explanation of the form of interpretation is given here and is not repeated at each time such tables occur in the subsequent chapters. In these tables the variables are classified in categories according to the type of hypothesis or argument which is to be tested. The tests look for any evidence of association and degree of significance of the relationship between variables.

Three main issues are tested in the thesis. These are the influence of spatial, sectoral and structural factors. There were several considerations in using significance tests to examine these factors. Three dimensional tables could not in general be used due to the small number of observed cases in many categories. Therefore, most tests use two dimensional tables. The design of categories used was very important. After initial tests, the categories were rearranged and grouped in order to avoid empty cells and increase the power of the analyses. However, the amalgamation of categories had to be done carefully. For example, Table 4.5, which shows the relationship between profit and the education level of the entrepreneur, was originally a 4x4 contingency table with four empty cells because there is a small number of secondary and high school graduates. Therefore, amalgamation of these categories had to be undertaken. This does not cause a significant loss of information. The (X^2) value, degrees of freedom and the level of significance are

given underneath the table. Cell residuals (z) are also given in the contingency tables with significance tests, as they are important for the interpretation of various associations. These measures are all interpreted according to accepted ranges as described in the previous section. For example, in Table 4.5, $z=-2.6$ is a significant value which indicates that entrepreneurs with low educational qualifications are less likely to make continuously increasing profit.

Table 4.5- An example of contingency tables and significance tests used in the text: An analysis on entrepreneurs' education and the profit changes of the firm (1985-90)

Level of Education	Profit changes between 1985-90				Row TOTAL
	Cont. Increase	Unstable fluc.	Slope down	No change	
Primary-secondary frequency	46	11	25	39	121 (56.5%)
expected frq	55.4	14.1	20.4	31.1	
adjusted cell residuals (z)	($z=-2.6$)	($z=-1.3$)	($z=1.7$)	($z=2.5$)	
High sch/vocational and university- frequency	52	14	11	16	93 (43.5%)
expected frq	42.6	10.9	15.6	23.9	
adjusted cell residuals (z)	($z=2.6$)	($z=1.3$)	($z=-1.7$)	($z=-2.5$)	
Column Total	98	25	36	55	214(*)

(*)Missing observations=2

$X^2 = 12.33764$ Sig (Significance) = 0.06

4.5.4 Semi-structured interviews and case studies

In addition to the questionnaire survey, in-depth interviews with various organizations and case studies were implemented throughout the survey. Most of these cases were initiated from the survey questionnaire and provide detailed information on some firms. Some of the survey questions provoked discussions and detailed talks. Life stories, ideas and business practices were gathered about these firms. They were helpful to understand different aspects of small firms. Ethnic, religious and gender relations in small firms were examined with these case studies. Similarly, attitudes and business practices were better understood by looking at individual cases. Although they cannot be generalized

to the whole sample, they provided valuable insight into different practices and structures. These cases are coded and used in the empirical chapters. Table 4.6 presents a list of these case studies according to the survey cities and sectors. For example, in case number A3 (009-11); A3 shows the sequence of each case in a chapter, the code number of the questionnaire is (009), and it is followed by the sector code (1), consumer durable retailers, and the city code (1), Gaziantep.

Table 4.6- List of case studies and their codes used in the thesis (*)

Major Characteristics	Code of the questionnaire	Sector code	Location code	Chapter
Family& friends involvement	A3(009)	1	1	7
	B2(179)	3	3	8
	C7(216)	4	3	9
	C8(203)	4	3	9
Social network	A1(027)	3	1	7
	A2(017)	2	1	7
	B1(007)	1	1	8
	B3(101)	3	2	8
Gender relations	A3(009)	1	1	7
	A4(179)	3	3	7
	A5(102,111,112)	3	2	7
Politics	A6(009)	1	1	7
Religion&Ethnicity	A7(133)	4	2	7
	A8(012)	2	1	7
	A9	3	2	7
	A10(199)	3	3	7
Previous job experience and Partnership structures	C1(034)	3	1	9
	C2(042)	3	1	9
	C3(013)	2	1	9
	C4(116)	3	2	9
	C5(119)	4	2	9
	C6(192)	4	3	9
Labour	B4(038)	3	1	8
	B5(047)	3	1	8
	B6(105)	3	2	8
	B7(167)	3	3	8
	C9(179)	3	3	9

(*) Sector codes 1=consumer durable retailers, 2=wholesaling of food-stuff, 3=Manufacturing of machinery and parts, 4=Construction; City codes 1=Gaziantep, 2=Kayseri, 3=Denizli

4.6 CONCLUSION

The aim of this thesis is to use a mixture of intensive and extensive methods to investigate sectoral and spatial as well as structural characteristics of Turkish small firms. The research design developed in this chapter seeks to implement this objective. The domain of the extensive survey, with a structured questionnaire, has been described: the target population is business owners and entrepreneurs. The survey questionnaire is the core of the research. However, intensive analysis using detailed case studies, anecdotal information, and semi-structured interviews are also implemented around the core research in order to investigate particular cases within a deeper complexity of general framework. This helped to combine extensive and intensive research techniques.

Various findings are presented in contingency tables in the text. These are largely based on the frequency of observed cases and percentages. Non-parametric tests, mainly Chi-square significance tests, were designed to analyse particular sectoral, spatial and structural associations and relationships in the data. The full set of tables of such tests are listed in Appendix C.2. The overall research argument and the results of the statistical analyses are investigated in the following chapters through a set of five themes. These are the characteristics of the cities (Chapter 5), the sectors (Chapter 6), the anthropology of small firms (Chapter 7), entrepreneurship (Chapter 8), and survival and growth (Chapter 9). The statistical and case study information is introduced in each chapter.

CHAPTER FIVE

CHARACTERISTICS OF THE SURVEY CITIES FROM THE SMALL FIRM PERSPECTIVE

5.1 INTRODUCTION

This chapter deals with the characteristics of small firms in the three survey cities. It questions how far, and what kind of, geographical differences affect the survival and growth of small firms, and entrepreneurial structures. In the highly personalized and non-institutional structure of small firms, local ties are very important. As Cox and Mair (1988), and Curran et al.(1993) suggest, the development of predictability, trust, loyalties and unique local knowledge all encourage stable relations with particular customers. However, we need to question how far these are specific to locations. The case of Third Italy has been widely used to demonstrate a successful small firm sector developed under particular local conditions, including the entrepreneurial culture, political traditions and rural-urban integration. However, the relevance of the current debate on the indigenous development and role of SMEs needs to be questioned in the case of a semi-peripheral country.

There are three issues in the survival and growth of small firms. First, there are sectoral and business-specific aspects which determine the type of activities, and horizontal and vertical linkages of small firms in a particular sector. Second, geographical differences, local culture, politics and entrepreneurial culture affect small firm development in a particular area. Third, there are omnipresent aspects of small firms independent of sectors and locations. These come from the nature of small businesses, including family involvement, the highly personal nature of the business, and the importance of entrepreneurial experience. There is a complex interplay among these three aspects. This chapter will seek to analyse small firm structures in different geographical areas.

As there are no governmental and financial autonomous regions in Turkey, it is important to analyse small firm development in different cities in order to identify the effects of geographical differences. The same government policies do not lead to the same result in every city. Local characteristics, traditions, values and important personalities and/or groups affect the business environment as is widely pointed out in the literature (Trigilia, 1989; Vázquez-Barquero, 1990; 1992). The discussion also examines how small firms and local entrepreneurs contribute to the indigenous economic development of the survey cities.

There are four areas of investigation and associated hypotheses. First, the role of small firms in the urban economies of medium-sized towns are important as a form of dynamic indigenous development. Second, human resources and the level of integration between rural and urban areas are different in each region. Human resources and the training of the workforce affects small business structures. Third, there are some social elements which small firms rely on in local markets. Fourth, there are local differences in the survival strategies and growth of small firms. We expect that small business performance and growth vary across localities, parallel to local politics, business associations, and institutions.

5.2 BACKGROUND: URBAN GROWTH AND SMALL FIRMS

The three provinces are each administrative units which consist of villages and townships and a province city. The province city has a governor (*vali*) assigned by the central government and every settlement of over 2,000 population has a locally elected mayor. As this survey deals with only the province cities, analytical results are not valid for the whole province. Urban growth in province cities is important for the development of small firms as they largely rely on local demand and manpower. The rate of urban growth in the three survey areas was higher than the national average in Denizli and Gaziantep between 1980-85. Gaziantep is the sixth largest province city in the rank order

of municipal population of the province cities in 1985. Kayseri comes 8th and Denizli 21st (SIS- The Census of Population in 1985).

Table 5.1- The increase of province population in the survey areas between 1950-1985

City	Census Years					Population of province city
	1950	1960	1970	1980	1985	
Gaziantep	328,343	434,579	606,540	808,697	966,490	559,111
Kayseri	403,861	480,387	598,693	778,383	864,060	488,429
Denizli	340,277	425,449	511,160	603,338	667,478	251,418

Source: SIS-The Census of Population in 1985, 1989, Ankara.

Parallel to the emergence of medium-sized towns in Turkey, there has been an increasing number of indigenous SMEs, and recently, of large companies in various sectors. Gaziantep, Kayseri and Denizli have experienced this trend since the late 1960s associated with the government incentives for private sector development. The feudal and semi-feudal structure in agriculture pushed masses of landless or poor peasants to seek job opportunities in Kayseri and Gaziantep. Better public services and the quality of life in large urban areas have been other factors for rural migration from backward regions. With growing urban economies, opportunities and demand for small businesses have increased in local markets.

These three cities started to attract migrants from their provincial region and as well as other provinces in the 1970s. Large population increases in urban areas with relatively slow growing employment opportunities caused an excess of labour. The small business sector utilized the cheap manpower and child workers with poor educational backgrounds and few professional skills. Small businesses, particularly in labour-intensive sectors, such as manufacturing and construction, used this labour as a flexible workforce to reduce costs. This also assisted capital accumulation in the hands of local businessmen. Also, the strong apprenticeship traditions reproduced masters and created new entrepreneurs among the rural classes, as observed especially in Kayseri and Denizli.

As many medium-sized cities experienced similar forces of small firm growth, their sectoral distribution and structural peculiarities show similarities across the survey cities. Sectoral development has been parallel to the diffusion of industrial technology and large production and marketing firms. Economic sectors of small firms have had different experiences of integration and transformation in this process. This is discussed for each sector in Chapter 6.

5.2.1 An overview of the regional context

Turkey had four regional agglomeration areas of industrial and service activities in the 1980s. These areas are developed around large metropolitan cities and ports, their neighbouring cities and towns. The oldest ones are Istanbul and Izmir. The largest agglomeration stretches from Istanbul and Izmit to Bursa province in the Marmara region. The second is dominated by the Ankara metropolitan area and includes Konya and Eskisehir in central Anatolia. Thirdly, in the Aegean region is Izmir metropolitan city and its surrounding towns including Manisa. Finally, in the Çukurova region the two metropolitan cities of Adana and Mersin are concentration areas. As a result, despite the general inequality among different regions, economic activities are not concentrated in only one or two metropolitan centres.

The three survey cities are situated close to these regional metropolitan centres. Therefore, their economic and urban growth has been affected by this regional influence, and supply goods, services and ideas for economic activities. Izmir for Denizli, Adana for Gaziantep, and Adana and Ankara for Kayseri are close metropolitan centres of this type. Daily business contacts are possible as all these distances are 3-4 hours by car. Gaziantep is in the economic area of the Çukurova region dominated by Adana. Kayseri is between Ankara and Konya metropolitan areas. Denizli is situated in the Aegean region dominated by the Izmir-Manisa metropolitan region. Besides these regional cores, the survey cities are important trade and industry centres. They have a better developed small firms sector and economic activities than most of their neighbouring provinces and the smaller

townships. This creates a market superiority in their hinterland as many backward towns and villages are dependent upon them. Therefore, they play an intermediary role between large metropolitan centres and small backward towns and villages.

In each of the survey cities economic activities are concentrated in the provincial cities and surrounded by largely rural economies of villages and townships. Weaving and agriculture are the main economic activities in townships and villages. The economic hinterlands of Gaziantep, Kayseri and Denizli also include parts of neighbouring provinces. Gaziantep has a greater economic power in its region than Kayseri and Denizli as it reaches the markets of the 13 eastern provinces. In the Southeastern Anatolia Project (Güneydogu Anadolu Projesi-GAP), the province of Gaziantep was considered the main development centre with its contribution of 40% of the total manufacturing in the GAP region¹. Kayseri city is surrounded by the mainly agricultural settlements of central Anatolia. It has long been a trade centre for the nearby provinces in its hinterland as well as some eastern provinces. Kayseri with 1.19% of the total share of Turkey's GNP, is the 19th largest economy just above Gaziantep (ISO, 1988).

Denizli is an inland province of the Aegean region, one of the most developed regions in the country. Its share in the distribution of the gross national product (1986) was 1.36%. The province is surrounded by the less developed provinces of Usak, Afyon and Burdur (See Map 5.1). Denizli city has a smaller proportion of the province city population than Kayseri and Gaziantep. This is partly due to relatively slower urban and population growth in the province. Denizli is not in as geographically attractive a position for eastern migration as are Gaziantep or Kayseri. The fertile agricultural sector holds the rural population in villages and townships (see Appendix C.1), and the climate and land

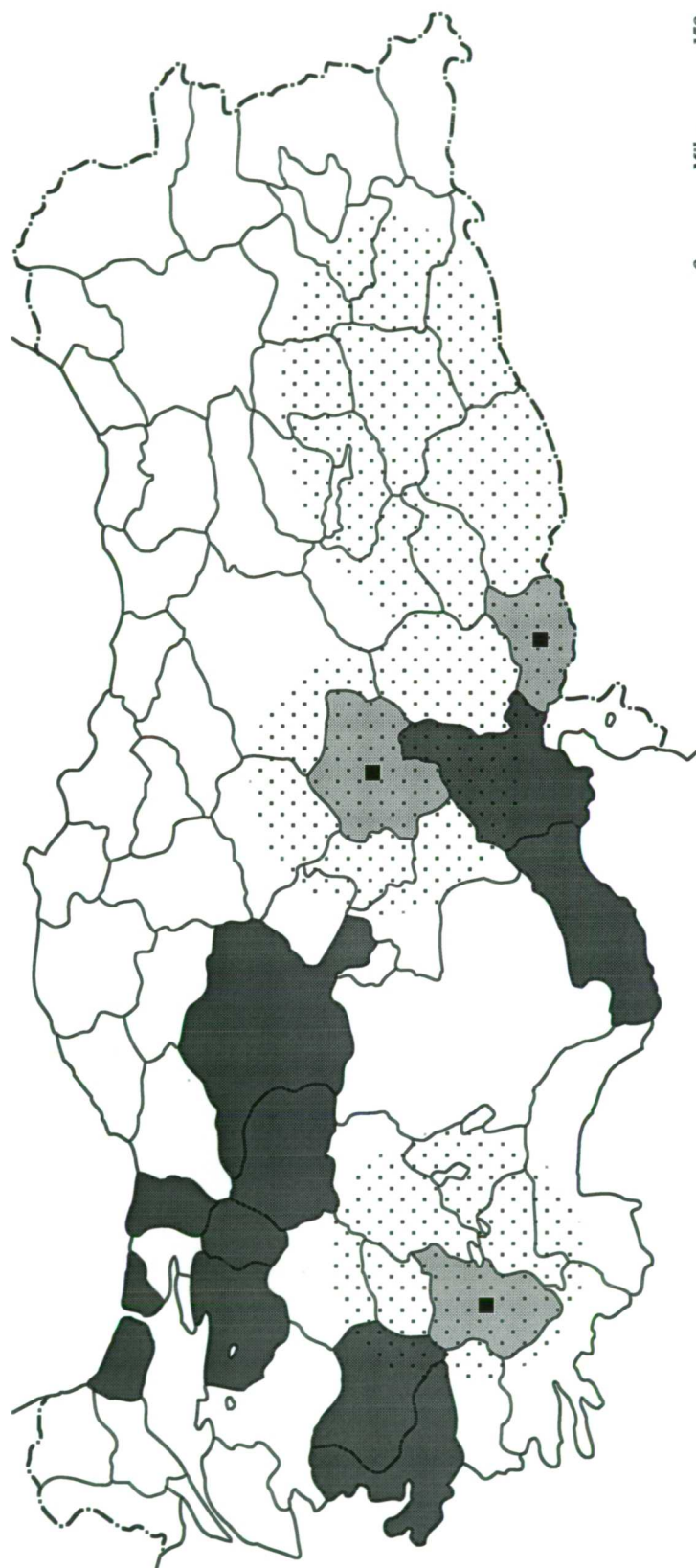
¹)The Southeastern Anatolia Project (GAP) is the largest and the most ambitious regional development project in Turkey. It consists of 13 major projects primarily for irrigation and hydropower. The project covers six provinces of the least developed region of the southeastern Anatolia. These are Adiyaman, Diyarbakir, Gaziantep, Mardin, Siirt and Sanliurfa. The construction of dams was started in the 1970s. However, the master plan for the regional development was done in 1989. The GAP Project Unit was set up under the prime ministry to pursue economic and social development in the region.

Map 5.1: The survey cities and their regional hinterland

Metropolitan agglomeration of industrial and service activities



Survey areas and their economic hinterland



Source: ISO, 1988

offer better farming conditions (DTO, 1990). Its region also experienced the semi-colonial period which opened the agricultural sector to the outside market. Therefore, capitalist development in agriculture occurred in Denizli, as it was a part of the railway hinterland of the Izmir harbour.

5.2.2 Urban economies: Gaziantep, Kayseri and Denizli

As far as city economies are concerned, we observe different paths of development. This largely depends upon local traditions in economic activities and the role of direct government investments and incentives in industrialization and regional development. The survey cities have artisanal traditions in different sectors. Gaziantep has a strong tradition of master craftsmanship in metal works which dates back to Ottoman rule. It is also famous for its talented master producers in machinery production. Trade of goods and carpet weaving have been major activities in Kayseri. Similarly, Denizli has been a weaving and cloth producing centre for centuries. Today's artisanal works carry on this strong tradition of production and craftsmanship.

In Gaziantep first the soap industry developed at the beginning of this century followed by the weaving industry in the 1930s. Gaziantep did not get any direct government investment during the 1940s and 50s, unlike Kayseri and Denizli. The state enterprise sector only opened a cement factory in 1961. The private sector in small and large firms developed after the 1950s. One important event created a new opportunity for small business development in the city. This was the opening of the Birecik Bridge in 1956. Now, the city is well connected with the east and middle Anatolian markets. Motor vehicles and mechanized agriculture increased the need for machinery parts production and repairing and Gaziantep has become a small scale industrial centre of the Southeast in repairing and small scale production of vehicle and agricultural machinery parts since 1960. Different branches developed rapidly and this helped the development of manufacturing skills in the city. Manufacturing firms were concentrated in metal equipment and machinery (33%), weaving (32%), and food processing (15%) in 1980. It is predicted that

in plastic bags and textiles Gaziantep will control a large proportion of the domestic market in the 1990s. Commercial activities have also been very important in the city economy. Gaziantep has been an important trade centre not only in its region but also in the country through its black market. In the 1960s and 1970s Western and luxury goods smuggled from Arab countries were sold in the shops. The border towns of Kilis and Gaziantep had many shops trading these smuggled goods. This certainly contributed to the city economy and capital accumulation. But after the trade liberalization and legislative arrangements at the beginning of the 1980s, this trade has disappeared.

At the beginning of this century Kayseri was dominated by small artisans and shopkeepers, as was Gaziantep. The city had gained a series of large government investments during the early periods of the Republic due to its central location. This helped the development of the city economy. The first investment was an aeroplane factory (Hava İkmal) in 1927. This was followed by a series of textile and weaving industries such as the Bünyan factory (1933), the cloth factory of Sümerbank (1936), and a sugar factory (1955). These investments were main contributors to local employment and income. As a result of their pioneering development of skills and production techniques, private sector firms also benefited from these state investments in the 1960s and the 1970s (Ayata, 1991).

Some domestic goods such as refrigerators, ovens and sewing machines were produced in the city far before other provinces (Velzen, 1977). Parallel to the mechanization in agriculture, new equipment started to be produced by large and medium sized firms. According to the reports of the chamber of industry, in 1990 60% of milk processing machines in Turkey were produced in Kayseri. In terms of the size of the employment in different industries, manufacture of fabricated metal products comes first. This is followed by the garment industry and machinery. They are followed by electrical equipment and machinery. Like the cloth of Denizli, carpet and kilim weaving has been a very old craft work in Kayseri. Today the city is an important centre of machine and hand

made carpets. However, small machinery and parts production did not develop much in the city.

During the Ottoman rule Denizli and its townships (Sarayköy, Buldan) were important cloth weaving centres. It is still the most important industry in the city. This sector employs 50-60,000 people in the province (DTO, 1991). The state enterprise, Sümerbank factory, which was set up in 1954, has pioneered many small weaving producers. In 1972 2,486 out of the 22,486 weaving machines had electric motors. At the time of this survey, manual machines were very rare and considered antique. However, not only in Denizli city but in its townships like Sarayköy and Buldan there is widespread putting-out to household production in weaving. There is also an opening up to the international market through local merchants.

Denizli manufacturers increased their textile exports to EC and the USA in 1991. Denizli is also replacing Bursa in the national market as Bursa moves toward specialist silk production (DTO, 1991). There has been a diffusion of technology and use of machinery in the local market from big producers and dealers towards household production. The main crafts are iron works, wooden furniture and tanning workshops. The iron rolling mills and tanneries are the most important activities of the city manufacturing.

There are some important indications of the growing integration of local markets into the global economy. The economic reports of the chambers of industry and commerce point out an increasing rate of exports from the survey cities to the Middle East and western Europe since the 1980s. However, the largest share of local exports belongs to a small group of large firms. Small businesses appear to be weakly integrated into this process. In Kayseri the main exported goods are textile products, carpets and rags, cotton thread, domestic utensils, electrical equipment and copper wire and aluminum profile. Gaziantep exports processed food, agricultural products, cotton thread and textiles, and in Denizli electronic copper products have the largest share in exports from the city. These are followed by textiles and electrical kitchen utensils. Foreign investment and partnerships are very weak in these cities. International tourism is important only in Denizli. Its location

among popular tourist routes of Izmir, Antalya and Cappadocia increases the potential number of tourists. The number of tourists, mainly from western Europe, visiting Pamukkale and Denizli reached one million in 1991 (DTO, 1991).

5.2.3 Small firms in the survey areas

Small firms contribute to employment and new job creation. They also create income for family members and relatives in the social network. A census of industry and business establishments of the State Institute of Statistics of Turkey is available for each province. However, this province-based data includes townships and villages of the city province. For example, the census of Denizli province covers the city of Denizli and its 10 townships. Although the city centres of provinces often have the largest share of the economic activities and businesses, these data should be used cautiously. The data presented in Table 5.2 show that most small firms are concentrated in trade and manufacturing. They are followed by services. More than half of all the small firms in Kayseri (51.7%) are engaged in trade. This rate is 49% in Gaziantep and 39.1% in Denizli. The share of small manufacturing firms is 25.8% in Gaziantep, 21.1 % in Kayseri, and 32.2% in Denizli.

Gaziantep is a town of small businesses with over 21,000 firms (see Table 5.2). At present there is a large variety of industries in the city. Its small firm manufacturing sector was one of the largest in the country in terms of the number of establishments (6th out of 67 provinces) in 1985. The small industry development centre set up in 1970 contributed to small manufacturing growth. Firms are mostly concentrated in motor vehicle repairing and the production of various machinery. Subcontracting and putting-out are relatively well developed among industrial establishments. The manufacturing industry of the city is defined as "in a self-growing cycle" by the GAP Master Plan (GAP, 1989). The transit road to the region and to the Middle East is an important source of income for small manufacturers and repairers as well as merchants. There is also widespread household production with putting-out and subcontracting in the textile industry.

If we assume that an average of 3-4 persons are engaged in small businesses, the statistical reports for Gaziantep show that the total of 21,348 small firms in the city employ around 60-80,000 people. This is far larger than the share of large companies in the province. The importance of employment creation in small firms is similarly true for Kayseri and Denizli.

Table 5.2 - Number of business establishments in the survey areas and their population in 1985

Sectors	Provinces and number of small business establishments		
	Gaziantep population:966,490	Kayseri 864,060	Denizli 667,478
Manufacturing (1-9)*	5,503	3,289	4,586
Construction	117	150	75
Trade	10,469	8,041	5,570
Restaurants-cafes	1,597	1,029	1,193
Hotels	69	40	54
Transportation	176	104	87
Mining & quarrying	-	9	14
Finance & insurance	460	546	455
Other services	3,025	2,502	2,128
TOTAL	21,348	15,566	14,227

Source: SIS-The Census of Industry and Business Establishments in 1985, 1989, Ankara.

(*) The second stage results of the census are only available for manufacturing sector businesses employing fewer than 10 workers.

In Kayseri the combination of the number of small firms across sectors is similar to Gaziantep. However, the small business sector is smaller and less specialized in the manufacturing sector but larger in trade. Kayseri is known as a trade centre. Merchants buy and sell a large variety of goods. In the central small manufacturing sites there are 2,560 firms. Most of them are in motor vehicle repairing and service businesses. Production of machinery and parts is very weak among small manufacturers. However wood work shops and furniture production are developed small business sectors in the city. The aggregated site of wood works has 850 business establishments. Denizli's small firm sector has a larger manufacturing sector. It is dominated by textile and cloth production. However, there is a sizeable number of firms in small machinery production and iron works. The proportion of small firms in trade is smaller than Kayseri and Gaziantep.

Kayseri was one of the centres of workers' companies and joint stock investments

in the 1970s. There were 38 companies established with the savings of migrant workers and local people. Only two of them survived. This experience discouraged further attempts by migrant workers to invest in joint venture companies. Therefore, workers' savings were directed to house and land ownership and consumer goods. Construction firms, real estate agents and retailers of consumer goods have been the major beneficiaries of this trend. Consequently, return migrants preferred to set up small businesses and rely on income from unproductive sectors of the economy such as rents and interest rates.

As far as the survey sectors are concerned, the number of total firms is not very large (see Table 5.3), and there are some differences among cities in terms of the size of the survey sectors. The number of firms in wholesaling is much greater in Gaziantep than other cities due to its position in the regional market. Denizli has a relatively small share of this sector. Kayseri has a large construction sector. The city had one of the first urban planning and the land use plans outside major cities in the 1950s. The building sector developed parallel to urbanization. It also enjoys being close to the capital city, Ankara, which controls the public bidding. The other sectors do not show a large variation in numbers. Although these data do not include many small producers and businessmen in these cities, which are not registered with the SIS survey, there is an indication of numerous small firms in the medium sized cities. It seems that the size of small businesses in different sectors is closely related to the size of the local and regional markets. Furthermore, secondary data indicate that small firms in Gaziantep, Kayseri and Denizli are largely closed to national and international competition.

Table 5.3 - Number of small business establishments of the survey sectors in the provinces 1985

Survey Sectors	Number of firms and annual average of persons engaged in brackets()		
	Gaziantep	Kaysen	Denizli
(a) Wholesale of foodstuffs	536 (1163)	239 (652)	119 (380)
(b) Consumer durable retailers	115 (290)	91 (211)	90 (194)
(c) Manufacture of machinery (1-9 employees)	181 (601)	135 (480)	129 (416)
(d) Construction	52 (784)	133 (744)	54 (617)

Source: SIS-The Census of Industry and Business Establishments in 1985, 1989, Ankara.

5.2.4 Organized sites, urban services and environmental problems

The survey cities have concentric urban forms. Land and building speculation in planned areas is high, which affects the location of small businesses. Similarly, small business developments are strongly affected by environmental problems, the lack of urban infrastructure, and transport services. There are four main locations of small firms in the survey sectors. The first concentration area is the central business district. Offices of construction firms and shops of consumer durable retailers are concentrated in this area. Second are the developing urban areas and old city centres which attract various businesses. There has been a slow shift towards the newly developing and modern parts of the cities by consumer durable goods and construction firms. Third, outskirts and intercity road axes are often chosen by manufacturers and wholesalers. Fourth, there are organized and planned sites for small traders and manufacturers in the survey areas.

Organized sites for small industry is a common feature of Turkish cities, Kayseri had one of the early examples in the 1950s. Since then a series of small manufacturing and artisanal sites were constructed with the planning permission of the municipality and government credits. This development was experienced similarly in Denizli and Gaziantep. The planned sites for small industry and artisans have been a part of the land use regulation and urban planning policies. The increasing number of wholesalers and manufacturers were taken out of congested areas of the city centre. In Kayseri a suburban site in Argıncık was planned and constructed for wholesalers. A similar attempt was made in Gaziantep.

Another category of planned manufacturing sites targeted medium and large companies in Organized Industrial Zones (OIZ). This has had an important effect on the locational distribution and growth of small firms. The Gaziantep OIZ is one of the early experiences. It was established with the collaboration of the municipality and the chambers of commerce and industry in 1969 soon after the first experience in the Bursa OIZ in 1961 (Küçük Sanayi, 1989). The development of the OIZ has been very rapid since 1983 with government incentives in priority areas. The Gaziantep OIZ largely benefitted from this

policy and the OIZ directorate had to enlarge the area due to increasing investments in 1986. In 1990 there were 266 firms on the site and 500 firms were waiting for a site allocation. Firms are concentrated in textiles, clothing, food processing and metal works. The establishment of the Kayseri OIZ was delayed until 1976 and the infrastructure investment started in 1981. However, construction of infrastructure and services in the zone were not completed as local initiative remained unorganized, unlike in Gaziantep. In 1990 there were 52 active firms and 56 firms in the process of construction on the site. More than half of them were in the sectors of textiles and manufacture of metal products. There were also 6 firms producing construction and prefabricated materials (Kayseri OIZ Raporu, 1990). The Denizli OIZ was not completed at the time of the survey.

There are a series of environmental problems in the medium-sized survey cities. Most of them are related to rapid and concentric urban growth without adequate infrastructure. Some of these are not only threatening the future of businesses but also human health. Air pollution comes first. In all survey cities air pollution during winter reaches high levels. In Kayseri and Denizli it was observed that city life is highly affected by it. The main sources of pollution are fumes from domestic heating and urban transport. This mainly stems from the use of bad quality coal and heating oil. Small businesses are contributing to this pollution by burning oil and waste in their workplaces. Recently local governments introduced tough measures on the quality of energy resources for heating. The municipality of Kayseri has been trying to get natural gas to the city. However, this problem seems likely to continue for the foreseeable future. Other industries such as tanneries and chemical works also pollute water and the physical environment.

Water supply and sewage systems are insufficient in the survey areas. Denizli municipality could not start to build a sewage system until 1985. Water shortage is still a problem in summers in the survey cities. However, 30-40 years ago wells and canals were being used in Denizli for drinking and domestic use. Similarly, the urban infrastructure cannot cope with rapid urban growth and the semi-legal housing areas of migrants. Although there is no adequate measure, Gaziantep is believed to have the highest rate of

squatter housing development among the survey cities (GAP, 1989). Throughout this rapid urban growth, small manufacturing and artisanal sites are gradually becoming surrounded by squatter houses. Hence, organized and planned industrial sites have become part of the congested areas. Urban transport is inadequate in fringe areas where small business sites and OIZs are located. Daily commuting of workers is sometimes arranged by the business owner himself due to insufficient transport service of municipalities.

The social and physical infrastructure is also not adequate for the rapidly growing urban population. The urban growth in these three cities has polluted air, consumed table-water, and damaged the agricultural areas around the city. Denizli has outstanding thermal springs and hot springs around the city centre and in Pamukkale. However, increasing use of spring water for irrigation and urban development threatens this environmental and touristic resources. Historical monuments, traditional architecture and archeological sites need also more care.

5.3 CHARACTERISTICS OF LABOUR MARKET IN THE SURVEY CITIES

The characteristics of the labour market can be analysed by migration trends, urbanization and employment opportunities in the survey areas. These determine the employment skills and qualifications utilized in small firms. The general features of the labour market can be summarized in three layers. At the bottom there is casual-peripheral workforce. They often come from poor and/or peasant families. Among them there are seasonal rural migrants and male children. They have largely no educational and vocational training and form the unskilled and cheap labour pool of manufacturing and construction firms. This research showed that labour-intensive small firms, such as manufacturing and construction firms, largely employ the peripheral workforce.

The middle range of the labour market has individuals with some education and training or working experience. They are largely employed in low grade office tasks and in

the commercial sector. Masters in manufacturing and construction works also come from this group. Few have vocational training, and work experience is considered more important in this group. Females are employed in this middle rank in sample firms. At the top of the layer there are professionals and university graduates who are in positions of control. The female workforce is weakly represented in this section of the labour market. Very few of the professionals are employed in small firms compared to number of other groups but there are small business owners who belong to professions.

This structure of the labour market in the survey areas has some differences. The use of child and unregistered workers is common, particularly in manufacturing firms. A 19th century structure based on hiring workers on a temporary basis is observed in Kayseri and Denizli. This takes place in the worker's market (*amale pazarı*) where idle men meet and hang around. These market areas are in the old parts of the cities surrounded by small tea houses, in which porters, construction workers and the unemployed congregate.

5.3.1 Rural migration and entrepreneurship

The survey cities get short and long term migration from their province region and other regions. Migrants are largely village and township people with low levels of education and inadequate skills. The survey conducted by the Denizli Development Plan (Denizli, 1990) indicates that only 45% of the sample population was born in Denizli; 35.5% was from townships and villages of province, and 18.5% was from the eastern towns of Ağrı, Erzurum, Diyarbakır, Kars and Mus. There are also ethnic Turks from Bulgaria who settled in Denizli after 1989. The survey cities themselves are out-migration areas. The destinations of this migration are large metropolitan cities of Istanbul, Ankara and Izmir and western European countries. There are also guest workers, largely in Germany, from the regions of the survey cities. Among outmigrants to metropolitan centres there are wealthy families, educated and qualified workforce. As a result of this, there is both a move of capital and a brain-drain from these medium-sized towns to large metropolises.

The net migration figures of 1989 show that Gaziantep gets migrants from the backward provinces of its regions. Urfa comes first and it is followed by K.Maras and Adiyaman. There is a trend of migration from Gaziantep largely to Istanbul, Hatay and Mersin. However, Gaziantep is the only town in its region where out and in migration is in balance while all provinces in that region are net outmigration areas (GAP, 1989). Recent unrest in the Kurdish areas of the Southeast has escalated migration from this area towards other provinces in the country. Gaziantep is a gateway for this migration. This affects the local labour market and small businesses in different ways. There is no available data on migration for Kayseri.

In the process of urban growth, increasing economic activities and the formation of small businesses increase job opportunities for migrants. Therefore, the duration of the urban residence and the period of migration develop various layers of migrants in the local markets. While early comers fill existing opportunities and secure their survival, late arrivals from rural areas may not get an opportunity for upward mobility in urban areas. Small business entrepreneurship is highly related to the type of rural migration in the survey cities, as capital or savings from rural areas are invested in small firms. The birth places of entrepreneurs give an interesting indication of migration. Denizli and Gaziantep present two contrasting cases. There is no overall evidence of association found in the Chi-square tests concerning the birth place of the business owner and the current city (see Appendix C.2). But there are some significant adjusted cell residuals which indicate that Gaziantep is dominated by city born entrepreneurs ($z=4.7$) while Denizli is not ($z=-5.7$). This means that it is more likely to find entrepreneurs who were born in villages in Denizli. Kayseri remains closer to the case of Gaziantep. The evidence also shows that intra-regional migration does not have a significant effect on small firm formation in the survey areas (see Table 5.4).

The feudal structure of agriculture in the Gaziantep region pushes out landless, unqualified peasant masses. However, in the Denizli region commercialized and widespread small farming provides not only start-up capital but an entrepreneurial incentive

for small business formation by rural migrants. Rural-urban integration in Denizli is an outcome of relatively well-off regional income and good transport links between settlements. In addition, opportunities available for migrants are very much related to the level of urban growth. When the number of small businesses which provide goods and services for the urban population reach a market threshold, it becomes more difficult for newcomers, particularly rural migrants, to enter business and develop local ties. The survey results indicate that in Gaziantep and Kayseri the small business sector is largely controlled by urban groups. As a result, poor rural migrants have little chance for upward mobility and become cheap, unorganized and unqualified labour for small businesses. Among them child workers are the most vulnerable.

Table 5.4 - Urban and rural backgrounds of entrepreneurs in the survey areas

Birth places	Number of firms in cities and percentages (%) and significant cell residuals (z)			
	Gaziantep	Kayseri	Denizli	TOTAL
In the same city	61 (83.6) z=4.7	45 (67.2) z=- 5.7	27 (36.0)	133 (61.9)
Village of the same province	6 (8.2) z=- 4.9	17 (25.4) z= 5.7	40 (53.3)	63 (29.3)
Another province in the region	5 (6.8)	1 (1.5)	3 (4.0)	9 (4.2)
Another province/region	1 (1.4)	4 (5.9)	5 (6.6)	10 (4.6)
TOTAL	73	67	75	215(*)

(*) Missing cases are not included.
No overall significance.

5.3.2 Ethnic, religious and gender divisions

Although this study does not have any statistical data about ethnic, religious and gender divisions in the labour market in the survey areas, they are nonetheless important in small businesses. The state sector and large private companies offer more egalitarian recruitment and secure jobs than small firms. In contrast, the employment structure in small firms follows and even enhances ethnic, religious and gender divisions in the society. There is almost no labour organization in the small business sector of the survey areas. In addition, the existence of a large pool of unemployed masses weakens the bargaining power of those who are employed in manufacturing and construction firms. The loose

working laws give complete control and authority to small business owners over employees. There are also many unregistered workers in manufacturing and particularly in construction sector firms. The state institutions have been inactive in controlling the implementation of insurance and working regulations in the survey areas. The employees in commercial firms mainly constitute friends and family members. This structure prevents any type of labour organization and bargaining power and in many cases: disputes are resolved within the family or among friends.

As a result, personal relationships rather than institutions and organized actions are crucial and generally work to the benefit of employer. Therefore, primordial ties and traditions play an important role in both employer-employee relations and the recruitment of workers in small businesses. The cultural divisions among ethnic and religious groups, and gender roles appear important in determining the nature of labour in small businesses. The survey found that ethnic and primordial ties determine recruitment. The small business owners trust their countrymen and those who have the same ethnic identity. This is most clearly observed in Gaziantep as Kurdish workers are employed by Kurdish wholesalers. Similarly, workers who come from the same village are often preferred by entrepreneurs as they are considered more loyal. For example, small manufacturers who come from the village of Hacilar in Kayseri expressed their preference to employ fellow villagers.

Another labour market division is based on religious sects. The two major religious sects, *Alevi* and *Sunni* are especially important. Religious extremists among Sunni entrepreneurs do not employ Alevi workers in Kayseri. These findings are similar to Dubetsky's (1976) research among small firms in Istanbul. He pointed out that very rarely did smaller factories recruit from other than the religious sect of the employer. Moreover, hiring on a regional basis (*hemserilik*) often results in virtual de facto sectarian homogeneity, as sectarian and subregional (or subprovincial) boundaries are often coterminal.

Women employees are largely excluded from small businesses in the survey areas. This is parallel to national trends in the country. According to the national statistics of

1985, agriculture employs 86.5% of the total female working population in Turkey. The case study areas show the similar tendency of high agricultural employment among working females. This is 90.8% in Gaziantep, 85.7% in Denizli and 84.3% in Kayseri. In the agricultural sector, female employment covers half of the working population in Gaziantep, Denizli and Kayseri. Whereas the female employment in manufacturing works counts only for 2.0%, 2.8% and 9.3% respectively. This is followed by social and personnel service jobs (SIS-The Census of Population in 1985, 1989).

Non-agricultural female employment is more widespread in urban areas but it still accounts for only a small proportion of female population. As far as the proportion of working females is concerned, Turkey is the only country among the Southern European countries which experienced a percentage decrease in female employment between 1970 - 1980 from 38.4% to 36.1%. This is a result of urban growth and rural migration, in which many women previously engaged in agriculture remain housewives in urban areas. Various aspects of female employment in small firms are analysed in Chapter 7.

5.3.3 Skills and training

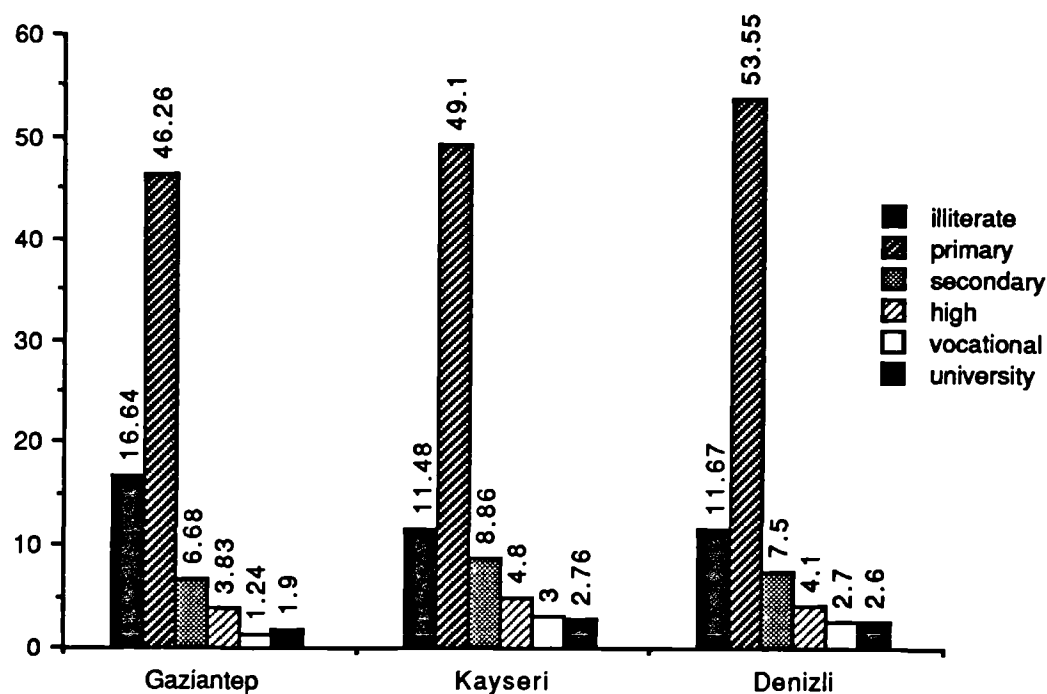
Human resources of local markets are certainly an important issue for small businesses in the survey areas. The quality of workforce and human resources indicates the potential strengths and weaknesses of the SMEs in local markets. The level of education and training of workers as well as business owners are important success factors not only in small firms but for local economic development. This study found that the level of formal education and training is low in the survey areas.

Table 5.5- Population by provinces, formal education and sex (M:Male, F:Female)

Education levels		Denizli	Gaziantep	Kayseri
Illiterate	(M)	33,899	66,224	41,486
	(F)	88,353	161,689	110,222
Primary school	(M)	155,485	184,121	177,397
	(F)	126,583	117,168	156,007
Junior high school	(M)	21,753	26,615	32,566
	(F)	11,172	10,995	14,000
High school	(M)	12,013	15,256	17,625
	(F)	7,001	7,308	8,764
Vocational High school	(M)	7,802	4,947	10,926
	(F)	5,221	3,136	4,575
University College	(M)	7,613	7,567	10,141
	(F)	2,200	2,003	2,252
MALE TOTAL		290,325	397,991	361,175
FEMALE TOTAL		289,675	390,630	367,491
TOTAL		580,000	788,621	728,666

Source: SIS-The Census of Population in 1985, Ankara, 1989.

Graph 5.1- The education levels of the city populations (1985)



The education system in Turkey needs substantial reform, as pointed out by subjects in the survey and by scholars (Kaya, 1991; Tekeli, 1991; Ünal, 1991). There is a series of problem areas including the teaching methods, quality of education, financial and institutional problems. For this study the main problem of the education system revealed in the survey areas is that it fails to produce adequate manpower for economic and social development. Standard high school graduates have no special knowledge or skill. The number of vocational and technical high school graduates is almost equal to those of religious schools (*Imam Hatip*). As is easily seen in Table 5.5, the most common educational qualification is only from primary school, which does not provide any skill. The number of university and vocational school graduates constitute 5.8% of the population in Kayseri province. It is slightly worse in Denizli (5.3%). Gaziantep has the poorest record (2.33%) in education. This ratio is 7.1% in Istanbul.

Apprenticeship training was systematized in 1986 across the country. New vocational and technical courses were established and spread into provinces. According to the new legislation, the government insures the child apprentices in these schools. Trainees work in small businesses and follow courses one day a week at the school. After training three different certificates are given, apprentice, journeyman and master. Those who have master certificates are able to start their own business. Some courses were organized for small businessmen and they were given the master certificate. The Ministry of National Education is responsible for these training schools in all centres. Teachers are assigned and paid by the Ministry.

However, the need for a master certificate is not enforced for opening a business. Therefore, local businessmen show little interest and support to these training programmes. Furthermore, this highly centralised organization in training and education with limited

resources has many shortcomings². In Gaziantep two training high schools are not enough for the size of the city. However, current demand is also low. While students are in fierce competition for university places, they do not go to vocational training high schools. Families and youngsters consider small manufacturing jobs dirty and non-prestigious. Additionally, both the quality and type of education were found to be insufficient in technical schools. The training branches are based on traditional technology groups and old machinery. The apprenticeship training school in Gaziantep and Kayseri had poor conditions for teaching techniques, old equipment, and an inadequate building site. Among thousands of apprentices in the city, only 1,750 can be trained at the school in Gaziantep.

The apprenticeship Training School in Kayseri has similar problems. The interview with the schoolmaster, Mr. Ayvalı, indicated the general problems of training in this field. There were a total of 7,000 students in 36 branches of training in the school. Almost half of them were in the branch concerning vehicle engines. The education and training of these teenagers is difficult due to their social and family background. They mostly come from nearby villages and poor urban families. Students travel long distances and their daily commuting is difficult. The previous education and training discipline of these youngsters is also weak. The number of teachers and teaching equipment is insufficient. The salaries of teachers is so low that many prefer to do other jobs than teaching. The schoolmaster himself was planning to leave for a better paid job.

5.4 DETERMINING CHARACTERISTICS: CITIES VERSUS SECTORS

To analyse geographical differences in the structure of small businesses enables us first to develop an understanding of regional and geographical characteristics affecting small firms, and second to assess the effects of the local economies and regional markets

²) Information in this section is gathered from the Committee Meeting of Training and Education of Apprentices in Gaziantep (20.8.1990) and an interview with the school master of the Kayseri Apprenticeship Training School (10.9.1990). The committee meeting in Gaziantep indicated several important problems and short comings of the training programmes.

on small firm formation and survival. The results of the survey analyses indicate that locational characteristics are not major determinants of small firm structures despite common expectation. Rather, sectoral characteristics and peculiarities of small firm economics appear strong. Furthermore, spatial differences among the survey areas, which affect small businesses, mainly occur in the experiences of urban growth, formation of local business networks, entrepreneurial backgrounds, and capital accumulation in different sectors.

We have seen that it is argued that SMEs play an important role in local economies. However, the result of analyses shows that the performance and growth of small firms is not closely related to the local peculiarities. In this survey, sectoral and structural peculiarities of small firms are found to be the prime determinants of small business survival. In addition, there are general problems and weaknesses of small firms which affect all survey areas. This result conflicts with the emphasis on the local success stories in small firm development such as the case of Third Italy. Our findings are parallel to some studies of Portuguese and Greek small firms. The evidence indicates that the structure and problems of small firms are closely inter-linked with those of the industrial structure of these countries rather than local characteristics (Dokopoulou, 1986; Lewis and Williams, 1987).

In support of these findings, Table 5.6 shows a summary of statistical significance tests. There are two investigation areas. These are entrepreneurial characteristics and aspects of survival and growth in small firms. A set of variables are tested for each category to investigate spatial and sectoral associations. A third area, defined as "structural associations"; is independent of sectoral and geographical specifications. For example, the age of firm is found to be correlated with the capital size without any sectoral and geographical association. Significant associations and variables are listed in the table under these three columns. The tests indicate that geographical variations occur in the family backgrounds and work experiences of entrepreneurs, age of firms, and sectoral development. But the total number of employees, profits and investment capital are all

independent of the geographical location. In this analysis, geographical aspects provide mainly human factors and support mechanisms for small firm growth and survival (as shown in Diagram 2.2). However, sectoral peculiarities and structural elements are associated with small firm economics. These two aspects correspond to the discussion of Diagram 2.1 and 2.2 illustrated in Chapter 2.

Table 5.6- The significant geographical, sectoral and structural associations measured in the small businesses survey (1)

	Sign. differences between cities	Sign. differences between sectors	Structural associations No sign. between sectors & cities
I) Entrepreneurs & family backgrounds social classes	Birthplace Father's occupation Early involvement Number of jobs Business satisfaction	Father's occupation Age of entrepreneur Early involvement First working experience Business satisfaction Education of entrepreneur	First job of ent-number of employees Education of entrep-profits Age of entrepreneur-profits Age&education of entr-computer
II) Business structure growth & survival	Establishment year Legal status Profit	Use of fax Customers of business Size of capital/assets Capital/assets and profit Education and profit N of employees-capital N of employees-age of firm	Establishment year and capital Legal status and branch shop Legal status-capital/assets Profits-capital/assets Age of firm-computer use Age of firm-capital/assets Computer use-profit

(1) This table is based on evidence of association between variables in the Chi-square significance tests. For more detail see Appendix- C.2.

5.4.1 Establishment, marketing and business expansion

The years since establishment of small firms show significant variation among the survey cities. As there are no data available about the birth and death rates of small firms, it is hard to interpret the direction of small firm development by only looking at years since the establishment. There is evidence of a strong association between age of firms and the survey areas. In the chi-square tests, there are significant residuals for Gaziantep and Kayseri (see Table 5.7). The proportion of firms which are established before 1980 is remarkably high in Kayseri, whereas firms established between 1980-85 constitute more than one third of sample firms in Gaziantep. Firms set up between 1985-91 dominate the sample for Denizli.

These time periods indicate the age of firms and the economic turning points in the

country. The sectoral aspects of this process will be discussed in the following chapter. The spatial variations in small firm formation and survival are related to the process of urban growth. It can be argued that cities which had early urbanization, such as Gaziantep and Kayseri, have older and more established small firms than those which were late in the process of urban or small firm growth, such as Denizli. This result also shows the influence of the control of the older and established families in the small businesses, as discussed in the earlier section about layers of migrants and business opportunities. The early development of small firms is strongly linked with some policy implications such as the establishment of small industry development organization (KÜSGET) in Gaziantep in the early 1970s and small manufacturing sites development in Kayseri in the 1960s.

Table 5.7- Years since establishment of sample firms by cities

Years	Number of firms in cities and percentages (%)			TOTAL
	Gaziantep	Kayseri	Denizli	
Before 1980	36 (48.6)	45 (67.2)	41 (54.6)	122 (56.5)
1980-85	29 (39.2)	12 (17.9)	18 (24.0)	59 (27.3)
1985-91	9 (12.1)	10 (14.9)	16 (21.3)	35 (16.2)
TOTAL	74 (100)	67 (100)	75 (100)	216

$\chi^2 = 10.52374$ Sign = .032

Marketing area of businesses : Consumer durable retailers and construction firms serve mainly local people. However, the market area of the wholesaling and manufacturing of machinery in the sample includes nearby towns and other regions. As seen in Tables 5.8 and 5.9, manufacturing sector firms in Gaziantep show a wider range of market areas. Not only the local market share but also the proportion of large metropolitan cities such as Istanbul and Adana is high among the Gaziantep manufacturers (24.0%). This is an indication of a better developed small machinery production sector in this city. In addition, the type of machinery produced in these cities determines their market areas. The number of Denizli manufacturers which produce mainly textile and agricultural machinery for cottage industries is greater than the other two cities. Therefore, townships and villages

give 32.0% of customers in this sector. Denizli is not yet competitive in metropolitan markets.

Table 5.8- Geographical area of customers in the manufacturing sector (*)

	City	Number of firms and (%) divided by the sample size			
		Townships and villages in the same region	Towns across the country	Istanbul, Ankara Izmir,Bursa,Adana	Exports
Gaziantep (25)	11 (44.0)	6 (24.0)	6 (24.0)	6 (24.0)	2 (8.0)
Kayseri (17)	6 (35.3)	3 (17.6)	4 (23.5)	3 (17.6)	1 (5.9)
Denizli (25)	9 (36.0)	8 (32.0)	5 (20.0)	2 (8.0)	1 (4.0)
TOTAL (67)	26	17	15	11	4

(*) Totals do not correspond 100% as some firms declared more than one geographical area of customers.

Wholesaling firms largely serve local and regional markets. Traders and shopkeepers in towns and villages are connected to the province cities of Gaziantep, Kayseri and Denizli. In that respect there is no significant difference among these cities. The survey cities largely control the trade of foodstuffs in their hinterlands. However, secondary data show that Gaziantep wholesalers sell to a large area (GAP, 1989). The proportion of customers from the city and its villages is much smaller than other markets among Kayseri and Denizli wholesalers. This can be interpreted in the structural formation of the wholesaling trade in these cities, which is analysed in the next chapter.

Table 5.9- Geographical area of customers in the wholesaling trade (*)

	N. of firms and % divided by the sample size	
	City and its villages	Other cities and towns
Gaziantep	10 (66.7)	10 (66.7)
Kayseri	5 (38.5)	9 (69.2)
Denizli	5 (41.7)	8 (66.7)
TOTAL	20	27

(*) Totals do not correspond 100% as some firms declared more than one geographical area of customers.

5.4.2 Is growth in small firms associated with the specific characteristics of the survey cities ?

As shown in Table 5.6, there is very weak evidence to support any association between business growth and any specific characteristics of the survey cities. There is, however, some evidence of association between survey cities and small business profits, and years since establishments of the subject firms. Business profits in the period of 1985-

1990 show differences across the cities. Only Kayseri firms are associated with continuous increases. Cell residuals indicate that there are fewer observed cases than expected in Kayseri ($z=-2.7$) for the category of "unstable fluctuations", while Denizli has excess cases for the category of 'no change' ($z=2.7$) and few cases for continuous increase ($z=-3.2$). There is also moderate evidence of association between cities and the legal status of firms. This only appears in simple partnerships which is largely associated with Kayseri. This weak evidence does not prove that growth and survival in small firms are associated with geographical characteristics. However, problems of early start-up, organizational shortcomings and obstacles to business expansion are similar across the survey areas.

Problems of early start-up: Small firms in the survey areas have very common problems of early start-up. The lack of personal resources or capital and lack of business contacts are the most widespread problem in early start-up. Almost one third of the sample in each city encountered them (see Table 5.10). Despite spatial variations of small business development, this result indicates similar problems of early start-up and establishment across the cities. These problem areas are related to the structural nature of small firms in the country more than regional characteristics. This aspect is pointed out by Ayata (1991), Aktar (1990) and Çınar et al. (1988a). Indeed, these results are parallel to some other studies in Europe which emphasize the importance of personal resources and business contacts in the small business formation (Burns and Dewhurst, 1986; Hall and Young, 1993).

Table 5.10- Crucial and important problems or difficulties of early start-up period (*)

	Number of firms and percentages (%) of sample size			
	Gaziantep	Kayseri	Denizli	TOTAL
personal resources	37 (32.1)	44 (38.2)	34 (29.6)	115
develop business contacts	32 (30.7)	35 (33.6)	37 (35.6)	104
skilled labour	19 (45.2)	5 (11.9)	18 (42.9)	42
getting machinery	17 (45.9)	14 (37.8)	6 (16.2)	37
cheap shop/building	5 (21.7)	6 (26.0)	12 (52.1)	23
management/accounting	6 (30.0)	10 (50.0)	4 (20.0)	20
bureaucracy	5 (38.5)	3 (23.1)	5 (38.4)	13

(*) Totals do not correspond 100% as more than one problems is listed by firms.

Organizations of tasks and barriers to expansion : Among entrepreneurs who declared having organizational problems in the firm, the arrangement of tasks and time appears the most common problem. It is followed by poor workmanship and delay in payments. Despite slight geographical differences, the survey areas do not show any significant variation in terms of the ranking of problems. As entrepreneurs in small businesses do not distribute responsibilities in the firm, organizational problems are expected. In addition, delay in customers' payments and poor workmanship are pointed out as obstacles for the organization of tasks in firms.

Table 5.11- Three major problems in organization of tasks in the survey areas(*)

	Cities and percentages (%)		
	Gaziantep	Kayseri	Denizli
Lack of time	28 (37.8)	14 (20.9)	17 (22.7)
Poor workmanship	6 (8.1)	5 (7.5)	6 (8.0)
Delay in payments	4 (5.4)	4 (6.0)	9 (12.0)

(*) Major problems are listed above among the multiple choices.

Entrepreneurs mainly point out macro economic instability in the country and lack of capital rather than regional obstacles to the expansion of the firm. These are expressed as the main obstacles by 48.6 % of firms in Gaziantep, 47.8% in Kayseri, and 57.3% in Denizli. Poor skills and technology are considered as a secondary barrier to expansion, particularly in manufacturing and construction firms.

5.4.3 Importance of family involvement in the survey areas

The number of firms in which immediate family members and relatives are involved in the business activities is geographically widespread in this survey. Kayseri has the highest involvement rate (56.7%) whereas this is 39.2% and 46.7% for Gaziantep and Denizli respectively. This variation is not significant and can be related to differences in small business management. But there are large sectoral variations which are due to significant sectoral differences in business structures (see Table 5.12). There are economic and social reasons behind the involvement of family members in small businesses. Different combinations of partnerships and collaboration among family members strengthen

the confidence of business owners. Immediate family members and relatives work for their own benefit in the firm. The main business tasks are divided up among family members and the working style is different from the normal employer-employee relationships of large businesses.

Table 5.12- Number of firms having immediate family members and/or relatives involved in the business activities

Cities	Number of firms and percentages (%) by sectors				TOTAL
	Consumer durable	Wholesaling	Manufacturing	Construction	
Gaziantep (74)	4	12	11	2	29 (39.2)
Kayseri (67)	9	11	9	9	38 (56.7)
Denizli (74)	7	9	12	7	35 (46.7)
Total	20 (58.8)	32 (80.0)	32 (47.7)	18 (24.0)	102 (47.2)
Sample Total	34	40	67	75	216

The role of the immediate family and relatives can also be seen in the business experiences of the entrepreneurs. Almost half of the sample entrepreneurs worked in their family firm at least once before they set up their own firm. This involvement plays a crucial role in developing business experience for entrepreneurs.

Table 5.13- Previous involvement of entrepreneurs in a family business

Sector of Previous involvement	Number of firms in cities and percentages (%) with significant cell residuals			
	Gaziantep	Kayseri	Denizli	TOTAL
Agriculture	2 (5.3) (z=-2.2)	7 (16.6)	10 (26.3) (z=2.1)	19 (16.1)
Commerce	19 (50.0)	20 (47.6)	10 (26.3) (z=-2.3)	49 (41.5)
Manufacturing	14 (36.8)	5 (11.9) (z=-3.0)	15 (39.5)	34 (28.8)
Construction	3 (7.9)	10 (23.8) (z=2.4)	3 (7.9)	16 (13.6)
TOTAL	38	42	38	118 (*)

(*) Inappropriate or missing cases are not included.
X²= 19.96179 Sig=.00281

When we analyse the type of family or relatives in firms, it is seen that there are significant geographical differences. The cell residuals in the Table 5.13 show that the rural background is strongly associated with Denizli (z=2.1) and very weakly associated

with Gaziantep ($z = -2.2$). Small firm owners in Kayseri are strongly associated with construction and weakly associated with manufacturing. This evidence is partly explained by the previous discussion about urban growth and migration.

The survey results indicate three geographical factors regarding small firm development. First, if there is a large section of businessmen from urban classes and old families who retain their position and migrants cannot easily enter the small business ownership or they can only enter less favourable areas unless they obtain large capital. Second, family-friends, network relations and local cultures control business entry from outsiders. They also initiate local economic and political developments. Third, there are differences in capital accumulation and development of skills which affect the sectoral structures and small firm development in the survey areas.

5.4.4 Entrepreneurial backgrounds and apprenticeship

Entrepreneurial backgrounds and business experiences are very important for small businesses in the survey cities. A large section of entrepreneurs have been channeled into private business ownership through their previous working experiences. This supports the findings of work in both Turkey and elsewhere (Dokopoulou 1986; Çınar et al., 1988a; 1988b; Birley, 1989; Dunkelberg and Cooper, 1990). It is often believed that a business can be learned in real life by working as an apprentice. Many business owners worked as apprentices either for a family or a relative's firm or for others in their youth. This type of involvement is also given importance for the socialization of male children at work. The survey results show that family businesses play an important role in this entrepreneurial development. In contrast, the public and private sector companies do not make a significant contribution to the development of entrepreneurship in the survey areas. The previous working experience in large private and public companies is low among the sample entrepreneurs: 9.1% in Kayseri, 9.5% in Denizli, and the lowest in Gaziantep (4.1%).

The proportion of entrepreneurs having worked in a relative's business in their first

working experience is 67.1% in Gaziantep, 53.0% in Kayseri and 64.8% in Denizli.

Particularly in manufacturing and commercial sectors, family businesses can be seen as the main source of entrepreneurial development. Only in Gaziantep is there a large proportion of entrepreneurs who worked as apprentices in other's business. This can be explained by the strong tradition of manufacturing apprenticeship in this city.

Table 5.14 - First working experience of business owners in the survey areas

First work experiences	Number of firms Gaziantep	and percentages (%) in cities Kayseri	Denizli	TOTAL
Family business	49 (67.1)	35 (53.0)	48 (64.8)	132 (62.0)
self-employment	11 (15.1)	21 (31.8)	16 (21.6)	48 (22.5)
		$z=2.2$		
Apprenticeship in others business	10 (13.6)	4 (6.0)	3 (4.0)	17 (8.0)
	$z=2.2$			
Public-private comp	3 (4.1)	6 (9.1)	7 (9.5)	16 (7.5)
TOTAL	73(100)	66(100)	74(100)	213 (*)

(*) Missing cases are not included.

There is no evidence of an overall association but there are some significant cell residuals (z).

As far as family backgrounds are concerned, the occupation of the entrepreneurs' father and the entrepreneurs' birth place indicate significant geographical differences. Birth places of entrepreneurs in this study show that Denizli entrepreneurs have largely rural backgrounds whereas in Gaziantep 82.4 % of the sample entrepreneurs were born in the city. Kayseri is also dominated by entrepreneurs who come from urban backgrounds. The small proportion of entrepreneurs coming from other regions and provinces in the sample indicates that the survey cities provide opportunities mainly for their townships and villages. Indeed, during the survey it was observed that people from villages and townships consider themselves to belong to the provincial city where they often have relatives and friends. The study also shows that largely indigenous people from the province invest in small businesses in the survey cities. There is some evidence that local networks of businessmen, family and friendship relations and the highly personal structure of institutions create barriers to non-local businessmen. Mr. Güneri, a local merchant from the Black Sea region says "*Kayseri does not give shelter to a businessman who is a*

stranger. They push them away. We were able to take a place in the market because my fathers' partner was from Kayseri".

Table 5.15- Occupation of entrepreneurs' father in the survey cities

Fathers' occupation	Number of firms and percentages (%) by cities			
	Gaziantep	Kayseri	Denizli	TOTAL
Commerce-construction	28 (40.0)	27 (42.2)	15 (20.3)	70 (33.6)
Agriculture	11 (15.7)	18 (28.1)	19 (25.7)	48 (23.1)
Civil servant-professional	13 (18.6)	13 (20.3)	19 (25.7)	45 (21.6)
Manufacturing-repairing	16 (22.9)	6 (9.4)	14 (18.9)	36 (17.3)
Shareholder in the firm	2 (2.8)	0	7 (9.4)	9 (4.3)
TOTAL	70(100)	64(100)	74(100)	208(*)

(*) Missing cases are not included.

In Gaziantep, Kayseri and Denizli the majority of entrepreneurs come from families of independent businesses, farmers and professional middle classes (Table 5.15). This result supports the argument of the association between small business owners and their social class (Del Monte and Giannola, 1986; Bechhoffer and Elliott, 1981). However, there are geographical differences. Fathers' occupation in independent businesses, such as commerce and construction, is a significant influence in Gaziantep (40%) and Kayseri (42.2%). Whereas in Denizli agriculture, civil service, and professional families appear strong. In Gaziantep almost one third of entrepreneurs come from manufacturing and artisanal families, while this connection is weaker in other survey areas. Some of these findings again support the hypothesis of the influence of differences in urban growth and entrepreneurial development. However, a sectoral analysis is necessary to elaborate this result (see Chapter 6).

5.5 LOCAL CULTURE, POLITICS AND INSTITUTIONS

It is often argued that patronage and clientalism in Turkey distribute benefits and interests among entrepreneurs and local people. Usually, large business owners and influential people get the major share. Nevertheless, it is important to look at entrepreneurial initiatives and local politics briefly. The research does not provide an in-

depth analysis or statistical data concerning relations between small firms and the local culture and politics. However, local informants and observation, as well as secondary sources show that the local traditions, politics and institutions do have a significant affect on SME's growth. This is seen in the different sectoral developments of small firms in the survey cities. There are more observations of active and dynamic entrepreneurial groups in Gaziantep due to the openness of local businessmen and their enthusiasm for the survey. However, there is not much information about the internal network of interest groups.

5.5.1 Religion and politics

In general, small entrepreneurs are bound to traditional values, customs and religion, although in a moderate way. Values of modernism and traditions were often mixed. The interpretation of the Islamic religion showed differences across cities. Islamic conservatives who argued that in Islamic law charging interest rates is banned, constitute 8-10% of the sample entrepreneurs in Kayseri and Denizli but a very small proportion in Gaziantep. There are some other religious sects and organizations among small artisans and other groups in Denizli. However, the survey could not give a detailed analysis of these types of informal organizations. The rest of the subjects were largely Muslims of secular belief, and a very small group of agnostics.

Local politics and political tendencies have different structures which affect internal dynamics and power relations in each city as well as between cities and the central government. Kayseri is a stronghold of the Islamic Welfare Party (RP). In the latest general elections (21 October 1991) they won all four members of parliaments (MPs) in the city. Denizli largely voted for the centre right parties (4 MPs) and the social democrats (1 MP). Contrastingly, Gaziantep largely voted for the centre left social democrats (SHP). In Turkish party politics, social democrats have been pioneers of the Kemalist ideology and of modernism. Therefore, these election results are indications of political and ideological atmospheres in each city: Kayseri is conservative-religious, Denizli is conservative and centre right-wing, Gaziantep is centre right and left wing.

5.5.2 Local development initiatives and central government institutions

Each of the survey areas has had some experience of local and regional development initiatives. For our study the most interesting is the small-medium enterprise initiatives in backward areas that seeks to stimulate the savings of migrant workers and local people. A first initiative towards founding a workers' joint stock company was taken in 1964 in Köln by a group of Turkish intellectuals. This attempt developed some industrial enterprises in Turkey backed by the savings of migrant workers. After this first initiative some enterprises opened to the public.

In the mid 1970s, with the initiative of the Dutch government and the collaboration of Turkish institutions, the REMPLOD (Reintegration of Emigrant Manpower and the Promotion of Local Opportunities for Development) project launched research on 64 enterprises. This project aimed to encourage local development through SMEs and local investments. As the name suggests, this project aimed to stimulate regional and local development using the investments of migrant workers. It channelled migrant workers and local people's investment into small and medium sized enterprises in backward regions. Different partnership structures were offered for rural and urban areas. These were village development cooperatives, workers' joint stock companies and joint stock companies open to the public (Penninx and Renselaar, 1977).

The REMPLOD research evaluated these investments in cities. Gaziantep, Kayseri and Denizli were included in this research. Kayseri appears as an attraction for investments as emigration is large from its region. Gaziantep had one auto-lights producing company which benefitted from investment. However, this initiative has failed and most of the factories are closed down. The erosion of money in a high inflation environment, trade union movements and strikes, organizational difficulties and management problems in the joint ventures and abuses of workers' savings by managers hastened their failure. This disappointing experience has discouraged further productive investments in the survey cities by migrant workers abroad.

The Southern Anatolian Project (GAP) is an ambitious regional and local planning project with a series of dams and irrigation canals. It is directed centrally by a special institution. Similarly, economic and social development of this least developed region is planned and mostly financed by the central government. Gaziantep is considered as an important city centre in the master plan of the project (GAP, 1989). However, the local initiative is possible in only limited areas. The local institutions and the municipality are unorganized about their expectations from the project and they are also dependent upon the large infrastructure expertise and industrial investments of the central government.

Local authorities do not play an active role in matters regarding small firm development and job creation. Provision of public services and urban infrastructure largely occupy local government activities and resources. Meetings with the mayors of Gaziantep, Kayseri and Denizli showed that active involvement of local authorities in economic growth and development is rather limited because of the huge physical requirements of urban development and the lack of financial independence. Municipalities provide a set of local services in the cities such as public transport, water and sewage systems. Only land use planning and building of work sites are aimed specifically at small businesses. As a result, new areas of working sites are opened for small businesses in the three cities. Recently local authorities have developed some measures for controlling the pollution. This brought restrictions on small businesses.

The municipalities are expected to be more active economically as a result of the gain of certain financial and organizational freedoms from the central government in recent years. The most interesting case towards an active local authority is the recent initiative by the greater city municipality of Kayseri. The project, which is called the Central Anatolia Development and Investment Bank, intends to finance urban development and economic growth. Among its shareholders are local businessmen from different sectors and professions. The bank will collect capital from local businessmen and divert it for economic development and social services in Kayseri region. If this project is realized, it will open a new era for local economic development in the hands of regional businessmen

and local authorities in Turkey.

There are various branches of central government institutions related to small firms including credit banks, insurance and health organizations. In each city they are seen as bureaucratic structures rather than active supporters of small firm development. There is only one institution directly related to small manufacturing development. This is the small industry development organization (KÜSGET) centre in Gaziantep. However, the inspiration of its establishment have been gradually diminishing in the city. Mr. Delioglu, who was employed as an engineer in KÜSGET, gave an insight into the organization. He argued that there are too few experienced people working in KÜSGET and that it is riddled with organizational problems: salaries and incentives are not attractive for working in this organization, qualified and experienced staff are lost and political antagonism is introduced by managers, current staff fail to understand problems of small industrialists and assist them. In 1989 and 1990 the interest of small manufacturers decreased drastically. Similarly, small manufacturers interviewed in Gaziantep express low confidence and annoyance with KÜSGET.

5.5.3 Chambers, associations and professional organizations

Chambers and associations keep records of firms and serve the needs of their members in the survey areas. They print official documents, business records and are voices for the interest of local businessmen. They have been active in response to economic and political decisions of the central government for many decades. Often political alliances and personal relations with bureaucrats and local MPs are used to obtain tax exemptions, incentives and credits. These are not necessarily in the interest of the local people or economy. In fact, there is a great deal of personal interest and therefore conflicts in the chambers. Large companies and businessmen who have political and financial power often have influence on the chamber's politics. Personal and political conflicts divided the chambers in Gaziantep in 1990.

The personalities and the active character of the general secretaries and committees

are crucial ingredients in how successful chambers are in supporting the interests of local businesses. These organizations can become deadeningly bureaucratic organizations in the hands of personal conflicts and passive administrations. The chambers of commerce and industry play a very important role for business development in Gaziantep. However, the chambers of commerce and industry show a low importance in local business affairs in Kayseri. There is also poor collaboration among entrepreneurs. As the secretary of the chambers of industry put it; Kayseri businessmen are more active and entrepreneurial outside of the city. This might be due to some bias in the researchers' perception. However, there is other supportive evidence to show that Gaziantep entrepreneurs are quicker to grasp opportunities. For example, since incentives for Organized Industrial Zones (OIZ) were introduced, the Gaziantep OIZ doubled its size in the 1980s while Kayseri was still under construction in 1990. Local informants also ascribed this difference to active lobbying and entrepreneurial collaboration in Gaziantep. Denizli entrepreneurs were observed to be increasingly forming local initiatives and active groups through other business organizations. Throughout the survey some entrepreneurs complained about the passive organization in the Kayseri chambers of commerce and industry. There were far more meetings, seminars, and international trips organized by Gaziantep Chambers than in the other cities. At the time of the survey, 70 members of the Gaziantep chamber of commerce paid a 10 days visit to Moscow in order to investigate business opportunities. Businessmen were putting much pressure on the central government for further regional incentives in the GAP project.

In the survey cities, there are also artisanal organizations which have thousands of members from different sector jobs. They are very large organizations and work in a bureaucratic way. Each artisanal branch has a president, but the wide spectrum of branches creates bulky institutions with lots of paper work. These branch presidents of sub-groups had little organizational and financial power. In addition, the limited economic power of artisans is not enough to create effective policies and organizations. Therefore in all three cities members of artisanal organizations complained that their voice is not heard and they

are left to tend on their own.

In addition, there are professional organizations of architects and engineers. These are quite influential in local politics, on environmental issues and on urban planning policies in the survey cities. Contrary to the weak representation of women in chambers and business associations, there are active female participants and sometimes leaders in the professional organizations. Among the sample firms, three female entrepreneurs indicated that they are actively involved in the architecture and urban planning affairs in their city. One of them is the vice president of the chambers of architects in Gaziantep. These organizations are active in trying to protect the professional business market from unfair competition and price cutting by introducing and controlling the implementation of minimum charges and quality standards in planning, design and construction.

5.6 CONCLUSION

Analyses and significance tests undertaken in this chapter show that the spatial differences among small firms are not as large as expected. The findings do not support the general argument about the role of particular local cultures in successful small firm development, such as is shown in Third Italy. Instead local economies are dominated by similar general constraints of the highly centralized structure of institutional and financial authority in Turkey. Any move towards decentralization of power is very weak. This study shows that, first, in the absence of large national and multinational companies in local markets, local economies are dominated by indigenous firms in these medium-sized towns. Among them, small firms form a large section. This is parallel to findings of Silva (1992) in Portugal. However, there has not been small firm development through diffusion of large firms from developed regions in the survey cities as has happened in southern Italy (Del Monte and Giannola, 1986). Second, capital accumulation in the hands of local businessmen and the development of businesses have been parallel to the development in traditional businesses. Both are similarly integrated into the regional and national economies.

There is evidence of a strong association between entrepreneurial characteristics, such as family backgrounds, and urban growth. Migration from rural areas has been a source of cheap labour as well as entrepreneurship. Denizli and Gaziantep present contrasting cases in this respect. Denizli has a large group of entrepreneurs who were born in the villages and townships of Denizli province while the sample entrepreneurs in Gaziantep largely come from the urban classes. This shows that small business development and local market opportunities for migrants vary between cities. Early comers fill available business opportunities and follow the market expansion as they develop their business and social networks. Similarly, urban classes hold opportunities in the local market in the case of Gaziantep and Kayseri.

In summary, the history of urban growth and small business development show important factors of small firm entrepreneurship in local markets. Small firms and local entrepreneurs are important contributors to the indigenous economic development of the survey cities. Municipalities do not directly promote local economic development. However, the planning of work sites and allocation of cheap land have facilitated the locational requirements of small artisans and tradesman. Direct and indirect government investments and incentives also encourage indigenous development. However, this has not been equal across sectors. The evidence shows that there are large variations among survey sectors and these are greater than geographical differences.

As a result of the small contrast between firms in the survey cities, the unique conclusion of this chapter is that it is possible to treat the sample from these case studies as indicative of the national pattern of small firm development in Turkish medium-sized cities. This is an important conclusion for two reasons. First, it allows the thesis to claim that it offers an analysis of Turkish SMEs as a whole in medium-sized centres. This is an important consequence of the sampling strategy that has been developed. Second, the small geographical variation allows subsequent chapters to concentrate on the more specific factors that influence SMEs formation and growth: sectors, anthropology, entrepreneurship, and survival and growth dynamics. From these analyses, which follow in the next

chapters, it is clear that geography and the regional context are important, but mediated through the role of local networks relating to the family and social groups that are specific to each business and each sector.

CHAPTER SIX

CHARACTERISTICS OF SMALL FIRMS IN THE SURVEY SECTORS

6.1 INTRODUCTION

This chapter is about peculiarities and characteristics of the surveyed firms of each sector. Small firms in various sectors have different roles and business structures. Employment size, the geography of the input and output relations and the type of entrepreneurship vary across sectors. This is due to different roles and linkages between large and small firms in each sector. For example, small machinery producers are very different from consumer durable retailers in terms of their business tasks, capital and labour requirements and linkages between small and large companies. Therefore, it is important to analyse the sectoral context of small firms. There is a very limited literature and secondary data concerning the survey sectors except for manufacturing. Therefore, the discussion here has to be based chiefly on the new empirical evidence from this thesis. Semi-structured interviews with businessmen and the leaders of the business associations provide in-depth analyses which complement the survey tables.

The study is divided into two broad sections. In the first part, some general features of small firms and statistical associations about sectoral characteristics are briefly introduced. Entrepreneurial backgrounds, firm sizes and input-output relations are presented within their sectoral formations. These provide an overall summary of the type of small businesses in different sectoral contexts. In the second part, each sector is analysed separately. The development of sectors and small firms is introduced with a brief historical background. The role of small firms in each sector is shown through input-output relations. The hypothesis of this chapter is that there are various trends acting simultaneously on the small business sector which depend on the overall trends in a

particular sector and the country as a whole. The study indicates four different trends in the four sectors. These are crisis, integration, transformation and duality. It is argued that structural changes in each sector are parallel to national and regional trends. However, the effect of spatial variations in the role of small firms in each sector is found to be small while national trends seem to dominate the process.

6.2 SOME CHARACTERISTICS OF THE SURVEY SECTORS

The empirical evidence indicates significant differences among small firms but at the same time strong sectoral associations in the survey cities. It is found that the entrepreneur's family, measured by birth place and fathers' occupation, and work backgrounds are associated with the current sector of the business. Therefore, business choice is not a result of independent searching but is determined by family and previous business involvements. The analyses of input-output relations shows that small firms are not homogeneous but sectorally divided. Retailing and construction sector firms in the survey serve mainly local demand while they supply inputs from regional and national markets. In contrast, manufacturing and wholesaling serve regional markets together with local demand. They also supply inputs from local and regional firms. The type of goods and services produced by small firms varies among firms even in the same sector. Another significant finding concerns the differences among sectors in terms of the size of capital and employment. Analyses indicate that capital/labour ratios show large variations among sectors for small firms. A further finding is the importance of disguised labour and capital in small firms which are hard to measure. This fact is observed in all sectors, particularly in construction.

6.2.1 Input-output relations in small firms

Each survey sector has its own network of suppliers and customers. The complex networks of merchants, wholesalers, large factories and public institutions indicate that small firms are not independent. Table 6.1 illustrates the sectoral distribution of the input

sources. The far left column shows the main sectors which supply various inputs to small firms. The spatial distribution of these suppliers are also indicated in local, regional and national categories. According to survey results, the main suppliers are wholesalers, factories, state-public companies, retailing merchants, and spot market. The following columns represent the survey sectors.

Consumer durable retailers get their goods from two sources. These are large factories and their marketing firms (97.1%) and wholesalers (29.4%). National and regional markets are the sources of supply rather than local markets.

There are three main suppliers in wholesaling. These are large private factories (90.0%), large wholesaling and marketing firms (70.0%) and state factories (27.5%). Like consumer durable retailers, wholesalers are dependent upon the large producing and marketing firms in metropolitan areas. However, this sector has more local distributors and large wholesaling companies in the regions. Input supply is geographically widespread in local, regional and national markets. As wholesalers often need relatively small amounts and cannot afford large quantities, many firms in this sector get their inputs from local wholesalers and distributors of large factories.

Manufacturing firms get their inputs from regional or local wholesalers (74.6%) and large factories (53.7%). The state factories are also an important source of supply in this sector, particularly in steel, coal and metals (10.4%). These inputs are also sold largely by local or regional wholesalers. Manufacturers often cannot afford to buy large quantities of raw materials as 22.4% of sample firms in this sector get some of their inputs from retailers.

In the construction sector the local dimension is very strong: 61.3% of firms supply their inputs from the local market. Wholesalers of construction materials are the basic source of building materials. The share of private and state factories is 33.0% in input supply. It is also observed that manufacturing and construction sectors are linked to the local merchants' supply more than other survey sectors.

Table 6.1- Source of input supply of the survey firms

	Number of firms supplying their inputs and sectoral percentage (%) (*)				
	Consumer d.	Wholesale	Manufacturing	Construction	TOTAL
Wholesaler	10 (29.4)	28 (70.0)	50 (74.6)	75 (100)	163 (75.5)
local market	1	9	15	46	
regional market	4	5	1	-	
national market	1	4	6	-	
local+national	-	7	18	9	
regional+national	4	1	1	-	
local+regional	-	-	-	14	
loc+reg+nat	-	2	9	6	
Factories	33 (97.1)	36 (90.0)	36 (53.7)	25 (33.3)	130 (60.2)
local market	2	1	6	8	
regional market	7	3	2	4	
national market	11	12	20	6	
local+national	7	8	6	2	
regional+national	6	5	1	2	
local+regional	-	5	-	3	
loc+reg+nat	-	2	1	-	
State-Public	-	11 (27.5)	7 (10.4)	-	18 (8.3)
Retail merchant	1 (2.9)	-	15 (22.4)	-	16 (7.4)
local market	1	-	7	-	
national	-	-	1	-	
local+regional	-	-	4	-	
local national	-	-	3	-	
Spot market	3 (8.8)	2 (5.0)	-	1 (1.3)	6 (2.7)
regional market	2	1	-	-	
national market	1	1	-	1	
Other	3 (8.8)	6 (15.0)	5 (7.4)	2 (2.7)	16 (7.4)

(*) Totals do not correspond to 100% as firms declared more than one type of input source.

Table 6.2 illustrates the survey sectors and their customers. Each survey sector has a particular range of customers. All of the retailing and a large proportion of the construction firms have mainly individual and family customers. Some construction companies take building contracts from public bids and local estate agents. They also build the working sites for other businesses and small manufacturers. However, manufacturers of machinery and wholesalers sell intermediate goods for other businesses. Wholesalers sell goods to semi-wholesalers in small towns of the province. Small shop keepers, restaurants, and food producers are among the customers in this business. They sell largely to small shop keepers (92.5 %) and other wholesalers and merchants (75.0%). There are also small food manufacturers (27.5%) and public private institutions (17.5%) among their customers.

Manufacturers produce various machinery and parts mostly by getting orders from

large and small companies, and artisanal families. Manufacturers play an intermediary role between small, medium and large firms as 74.6% of firms produce for small manufacturers and 70.1% for medium-large firms. In some products, wholesalers and merchants do marketing for small producers. Individual and public company orders are also observed in the manufacturing sector (both 14.9%).

Table 6.2- Customers of the business

The customers by survey sectors (number of firms and percentages) (*)					
Customers	Consumer d.	Wholesaling	Manufacturing	Construction	TOTAL
individual customers	34 (100)	9 (23.5)	10 (14.9)	72 (96.0)	125 (57.9)
small-manufacturers	-	11 (27.5)	50 (74.6)	10 (13.3)	71 (32.9)
medium-large firms	-	5 (12.5)	47 (70.1)	3 (4.0)	55 (25.5)
wholesalers merchants	-	30 (75.0)	12 (17.9)	1 (1.3)	43 (19.9)
retailers	-	37 (92.5)	2 (3.0)	1 (1.3)	40 (18.5)
state/semi-public firms	-	7 (17.5)	10 (14.9)	18 (24.0)	35 (16.2)
construction/real estate	-	-	4 (6.0)	22 (29.3)	26 (12.0)
cooperatives	-	5 (12.5)	1 (1.5)	-	6 (2.8)
other	-	1 (2.5)	3 (4.5)	-	4 (1.8)
TOTAL	34	40	67	75	216

(*) Totals do not correspond to 100% as firms declared more than one type of customers.

6.2.2 Type of goods and services produced by small firms

The variety of consumer durable goods in retailing shops is related to the type of franchising, capital size of the firm and the target customers. The basic items are refrigerators, cookers, washing machines, dish machines, dryers, vacuum cleaners, sewing machines, televisions, videos and music sets. Shops tend to have other items like ventilators, stoves, electric heaters, irons, bicycles, and carpets. This is not only a strategy of offering variety but at the same time overcomes seasonal or periodic changes in the sale of certain goods. Similarly, in wholesaling foodstuffs firms have various processed and packaged food such as oil, pasta, staples, cleaning materials, etc. The range of goods is usually large. However, there are some firms specialized in selling particular goods such as sugar and tea which are largely produced and distributed by the state owned enterprises.

Small manufacturing firms producing machinery and parts also show a diversity in their type of production. But this survey indicates that there are several traditional fields of production in which small producers are clustered as is demonstrated in Table 6.6. These are textile machinery and parts, motor vehicle parts and agricultural equipment and machinery. Among 67 sample firms in this sector, 31.3% are producing textile machinery and electronic parts. These are followed by motor vehicle parts (20.9%) and agricultural equipment and machinery (16.1%). This rank shows slight differences among the survey cities. Firms producing various other machinery and parts for industry are grouped in the category of "other machinery and parts". However, on many occasions sample businessmen emphasized that the type of machinery and parts produced by the firm changes over time according to market demand, orders and the condition of the business. It is observed that there is a very weak continuous and serial production in this sector.

Construction companies in the sample were largely engaged in the production of houses for families and individual customers. The range of this production varies from single luxurious houses to apartment blocks. There are also firms which do construction works for public institutions through public bidding. Schools, hospitals and government buildings are the major public sector constructions. In addition, professional architects and engineers draw projects and plans for other businesses as well as for their construction. They occasionally take contracts from other firms as controllers or project managers. There is an increasing number of professionals in specialized contracting works such as heating, ventilation and insulation. This significantly affects the intra-firm relations in this sector.

The fluctuations in demand was a main issue for the business of the survey firms. It was often emphasised by entrepreneurs that stability in macro economic conditions was very important for the business. They emphasised that high inflation rates, increasing cost of life and low incomes negatively affect their business volume. There was a considerable demand coming from villages and townships of the city for commercial and construction businesses. These customers of rural areas were entirely dependent on their agricultural product sales as a source of income. Therefore, their purchasing rate changed seasonally.

Additionally, sales tend to increase during the summer or festival day visits of Turkish workers from Western Europe. This is especially the case in towns like Kayseri and Denizli.

6.2.3 Size of capital and employment

Small firms in the survey are based on personal and family assets. Most of these firms are individually owned or are simple partnerships. They are registered as independent businesses in the same way as artisans and small tradesmen. The legal status of the firm is also an indication of the simple management and organization of the work. Table 6.3 shows that many small firms maintain an informal and highly personal capital structure. In that respect, the sectors show almost the same pattern. However, simple partnership structures appear more common in manufacturing than other sectors (43.3%). The limited liability and joint stock holding are largely used in consumer durable retailing, 5.9% and 14.7% respectively. The proportion of individual ownership is most common among professional entrepreneurs in the construction sector (60%). These differences are related to skill and capital requirements and turnover in each sector as well as entrepreneurial strategies.

Table 6.3- The legal status of the firm by sectors (%)

Legal status	Consumer d	Wholesaling	Manufacturing	Construction	TOTAL
Individual propr.	50.0	50.0	46.3	60.0	52.3
Simple part.	23.5	37.5	43.3	28.0	33.8
General part.	5.9	7.5	1.5	2.7	4.2
Lim. liability	5.9	2.5	1.5	6.7	3.7
Joint stock	14.7	2.5	6.0	2.7	5.6
Cooperative	-	-	1.5	-	.5
TOTAL	100	100	100	100	100

Manufacturing of machinery and parts has larger assets and numbers of employees than other sectors. This is primarily related to the use of machinery but also to the labour intensive nature of the production. Manufacturing firms are able to grow in this sector with the introduction of new machinery, equipment and labour. This type of growth is rather limited in commercial firms as they are part of a large chain of production and a marketing

system. Chi-square significance tests (see Table 6.4) also show that there is evidence of association between the survey sectors and capital assets of the firm. The cell residuals indicate that manufacturing firms are less likely to have medium (TL 100-500m) and more likely to have large assets (TL 500-5500m), whereas commercial businesses are more likely to have medium assets.

Table 6.4- Minimum investment capital/value of assets by sectors

(x TL10,000) Size of capital	Number of firms and significant cell residuals (z)			Row Total (%)
	Commerce	Manufacturing	Construction	
5-100	21 (32.3)	22 (33.3)	20 (43.5)	63 (35.6)
100-500	39 (60)	26 (39.4)	24 (52.2)	89 (50.3)
500-5500	5 (7.7) z=2.0	18 (27.3) z=-2.2 z=3.9	2 (4.3) z=-2.2	25 (14.1)
Column Total (%)	65(100)	66 (100)	46(100)	177 (100) (*)

(*) Missing cases are not included.
X²= 17.000 sig= .001

Contrastingly, construction firms are less likely to be in the large business category. These firms have the largest share of self-employed entrepreneurs. These businessmen work as organizers of construction works. The size of capital investment and employment in the construction sector appears to be small. However, these firms hire large numbers of persons for construction and building works. This does not appear in the data because of disguised informal labour use. Therefore, employment numbers in Table 6.5 illustrate only the employees in the business offices of construction firms. Commercial sectors largely employ between 1-4 people. This number increases in some wholesaling firms with employment of marketing and sales personnel.

Table 6.5- Number of employees by sectors

Size of employment	Number of firms by sectors			Row Total (%)
	Commerce	Manufacturing	Construction	
Self-employed	7	-	11	18 (8.4)
1-4	51	13	58	122 (56.7)
4-10	13	27	6	46 (21.4)
10-50	3	26	-	29 (13.5)
TOTAL	74	66	75	215 (100) (*)

(*) One missing case is excluded.

Following this general analysis the next section of this chapter analyses each sector in detail.

6.3 RETAILERS OF CONSUMER DURABLE GOODS: "Business Integrated"

6.3.1 General background

The domestic production and marketing of consumer durable goods accelerated after the 1960s. Many goods and much technology of production were based on foreign patents and licenses. During the last decade, Turkish companies have begun to export consumer durable goods to foreign markets. The liberalization and free trade policies of the 1980s facilitated the import of foreign goods. But the Turkish market is still mainly controlled by domestic companies. As domestic production started to increase since the 1970s the marketing and retailing chain became widely spread. Due to the increasing prosperity and attraction of the business, the number of retailers has increased rapidly and the trade has diffused from large urban areas to small towns and villages. Although the Turkish domestic market has still not fully met, the demand fluctuates. High inflation rates (60% in 1992) and economic difficulties are basic constraints in this sector for both producers and retailers, as well as consumers.

The retailing shops in this survey constitute the last link in the chain of marketing of consumer durable goods. They get their inputs from large firms and sell to individual customers (see Diagram 6.1). Production, marketing and advertisements are basically controlled by producing and marketing companies. There are several big enterprises, mainly the Koç and Sabancı groups and Profilo that largely control the domestic market in Turkey. They organize the regional and local distribution of goods through marketing, service and repairing firms. Local and regional franchising is the major form of organization. There are also various subsidiary businesses and branch plants in regional centres. The Koç Group is one of Turkey's largest private industrial conglomerates. It consists of 116 companies and affiliates, and its activities vary from household appliances

to banking, textiles and meat production. Its exports have been gradually increasing since the 1980s. Its main market for appliances so far has been in the Middle East and North Africa, but it has recently started selling gas cookers to France and refrigerators to China (The Financial Times, 23/5/1988).

Profilo is another industrial group producing household appliances, electronic goods and building materials. It makes half of Turkey's refrigerators, a third of its washing machines and a fifth of its cookers. In electronics the company's products range from televisions and video recorders to cash registers and calculators, made under licence from companies like Sony and Olivetti. Other companies with which Profilo has licencing agreements are AEG of Germany and Thompson of France.

Although marketing companies and distributors are diversified regionally, the production and management headquarters of these companies are located in several metropolitan centres. Istanbul has the largest share of these activities and it is followed by other regional metropolises of Izmir, Bursa and Adana. The franchising network is controlled by marketing companies. There are also independent wholesalers and marketing firms between production and the retailing chain. Many retailing shops in the survey either had franchise status or certain agreements with producing or distributing companies for selling a particular brand of goods.

6.3.2 Integration : franchising and marketing

The sample firms are integrated into the national and regional markets through marketing companies. The range of goods and market prices are determined by large companies. Despite some local differences in the type of entrepreneurship, this survey shows no particular difference in the type of business structure across the survey cities. The local markets are mainly served by small firms. These shops need to give a bond assuring performance of their contract to the main company. Advertisements, sales and promotions are also organized by large marketing and producing companies. Therefore,

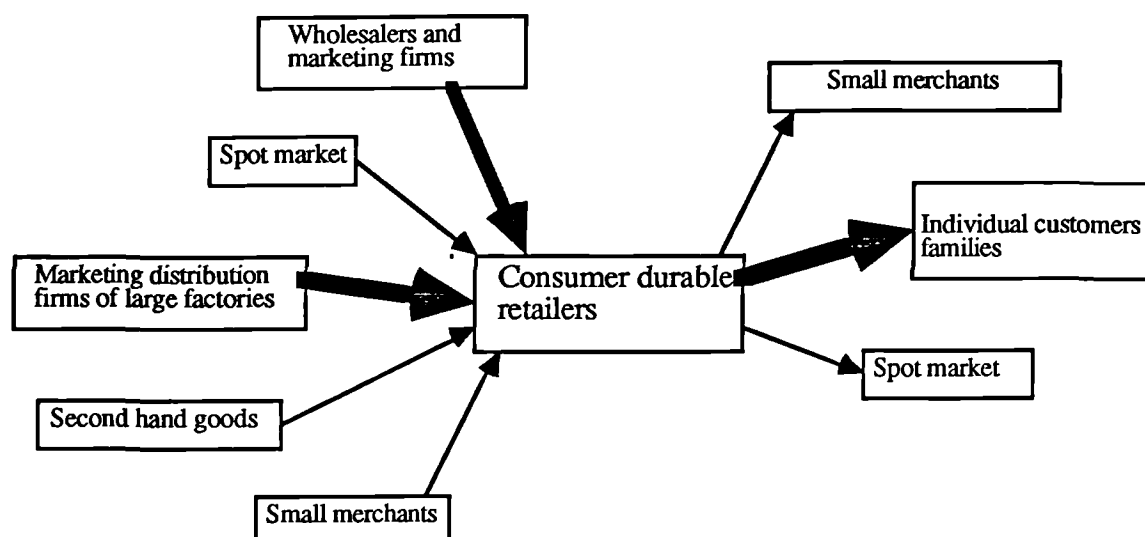
franchise shops have no power over the overall strategy of production, pricing and marketing.

The experience and local contacts of local entrepreneurs are utilized by the large production and marketing firms. This, on the one hand, has encouraged local businessmen to enter the business and make profit. On the other hand, it has enabled large firms to externalize risks and minimize the cost of their investments in different cities. Therefore, instead of regionally organized department stores and shopping centres, local entrepreneurs and small businesses have taken on the role of goods distributors and have diffused new products in local markets. At the same time, regional retailers are promoted by large companies if their sales are successful.

This nature of the business facilitates the tasks of the entrepreneur and reduces risks but also blocks the firms growth in the same business sector, despite capital accumulation. As a result, many businessmen in this sector observed in the case study areas tend to invest and diversify their capital into other fields. Due to ease of entry, the number of retailers has increased in local markets and this, in return, diminishes business profits. Therefore, capital accumulation and barriers to growth force entrepreneurs to diversify their business and/or invest in different fields.

In the three cities large companies preferred to give franchises to those who belong to old established and/or wealthy families and merchants of the town. The sales performance and business trust of the local entrepreneur are basic factors in franchise agreements. The family name and business credibility are given importance, as businessmen from well-known families are familiar to local people and have business linkages. Hence, large production and marketing firms externalize their marketing costs and the risks associated with geographical diffusion through small retailers. This facilitates approaching a wider range of customers via social contacts. Similarly, these small retailers exploit the local market demand and secure a percentage of profit out of their sales.

Diagram 6.1- Sources of input supply and customers of consumer durable retailers



6.3.3 Spot market

Franchise shops are regularly informed about new prices as each producing or marketing company sends its price lists to retailers. This includes a percentage share of profit given to the retailer on each item. Therefore, market competition over price and quality of goods are not wholly under the control of the franchise shop, although bargaining is observed as a very common practice in the determination of sale prices throughout the survey cities. However, there are different mechanisms concerning market prices of goods and the type of retailing. Cash flow is an important issue for small firms in all sectors. The lack of cash causes illegal market formations such as a spot market. The existence of a "spot market" is reported by consumer durable retailers and wholesalers. Not only small but large companies are also involved in the spot market.

Although there is no statistical information about the size and overall effect of this

type of market, it has an important effect on market practices and the sale prices in this sector. Firms lacking cash and/or having financial difficulties reduce the sale prices of goods and sell off their stock in order to supply immediate cash. Especially in hard times (e.g. saturation of market demand during the Gulf crisis), this provides a source of cash for firms. There are two macro economic factors which encourage this type of marketing. First, the liquid capital of the firm erodes in a highly inflationary environment. Second, the interest rates of bank credits are very high, climbing up to 60% per year. This makes bank credits unaffordable for small firms. Therefore, small businesses do not go to banks for credits except for small amounts for short term use. The spot market offers quick investment opportunities for capital holders and immediate cash for firms that are in financial difficulty.

In the spot market there are both second hand and brand new goods. Customers of this market are basically retailing shop owners who are seeking to supply goods at low prices. There is also a small proportion of individual customers. Istanbul has the largest spot market in the country. It sells goods to merchants from every part of the country. A spot market dealer in Istanbul says: *"we buy goods from retailing firms which are in financial difficulty. We get deals by phone from everywhere in the country. We pay fair amounts of cash since they should survive for the benefit our business. So, they get cash credit... All goods are guaranteed and safe since they are handled by franchisers and we sell with confidence"* (Ekonomist, 25 /9/1991).

Some press reports even indicate that spot markets are evident for many market goods such as foodstuffs, detergents and consumer durable goods. Firms in this market undercut prices (Ekonomist, 25/9/1991). In this market, prices are 20-25% less than factory prices and the payment is in the form of immediate cash. By selling goods in large quantities, wholesalers and franchisees obtain some cash or a kind of credit. However, there are also allegations about the involvement of big producing companies in the spot market. Some employers argued that large companies undercut market prices when they have financial problems. One side has available cash and wants to get goods at low prices

while the other needs immediate cash. The spot market appears as an exchange mechanism beyond market prices. Therefore, it is viewed as illegal and unfair competition by many interviewed businessmen.

6.4 WHOLESALE FOODSTUFFS: "Business in Transition"

Wholesaling activity in the survey cities has undergone a change in market relations. An increasing number of marketing companies, delivery services of producing factories and supermarkets have transformed the traditional business of wholesaling. However, this change involves a large number of actors due to a relatively developed food industry in many large and medium-sized cities. On the one hand, factories and marketing companies have been taking over the role of wholesalers by delivering goods to small retailers. On the other hand, supermarkets have been entering the market with better prices for both households and retailers. But these changes have not yet diffused throughout the market and the survey areas show differences in the way in which businesses survive and transform.

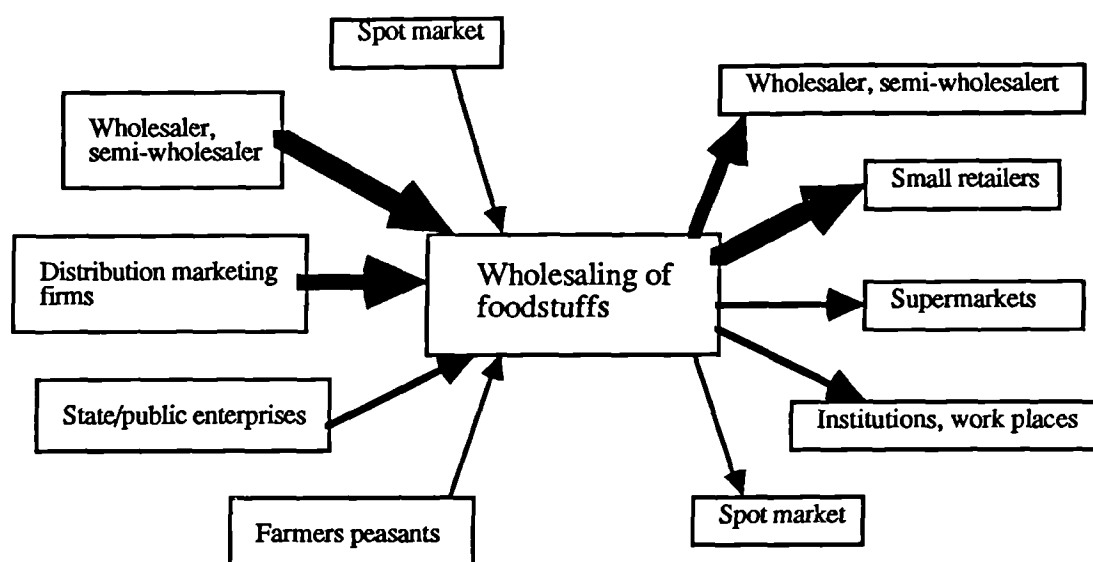
6.4.1 General background

The wholesaling of foodstuffs is an old form of trade. One of the earlier forms of this business was "*attariye*" or "*aktariye*" which was a kind of herbalist selling small items for peasants. As trade improved and urban development gained impetus, the food trade grew. The prosperity of the businesses increased during the Second World War. Rapid urbanization and population growth, together with an increasing range of agricultural products, gave rise to a rapid expansion in the food trade and industry after the 1950s. Since retailing shops were small and scattered among settlements, and food processing, packaging and marketing were not well developed, wholesale of foodstuffs has emerged as a crucial link in the chain between producers and retailers. It became one of the prominent trading activities conducted by distinctive families throughout generations in many localities.

During the economic crises of 1977-79 there were food shortages in Turkey. The black market existed for some goods like oil and sugar. In those years the businesses benefitted from these shortages and rapid price increases, but also suffered from the black market. Since the economic liberalization policies of the 1980s, food processing and marketing have changed rapidly. The variety of goods has increased and better transportation and communications have given rise to new changes in marketing and distributing. Food factories have spread widely in the country, contrary to the production of consumer durable goods. Although Istanbul still occupies a central position for a wider group of goods varying from meat products to detergents, the food industry has developed rapidly in other urban areas during last two decades. Big producing and marketing companies are established in several metropolises like Istanbul, Izmir, Ankara, Bursa and Adana.

The input-output relations indicate that wholesalers have a large variety of links with small and large firms in regional and national markets (see Diagram 6.2) in the survey areas. The regional organization and marketing of large firms are similar to that of consumer durable goods. Promotions, marketing and delivery services are offered and local entrepreneurs are carefully promoted according to their wealth, family name and commercial career. Orders from wholesalers are given by phone or through marketing salesmen and their goods delivered by the company. Customers of the wholesaling trade are small shop keepers, supermarkets, semi-wholesalers, wholesalers, consumer cooperatives, restaurants, hospitals and army offices. Among them small retailing shops have a strategic importance. This type of shop largely controls the retailing of foodstuffs in urban and rural areas. They operate with credit sales and get monthly installments from customers. This is the crucial advantage of small shopkeepers compared to supermarkets. Their second advantage is the accessibility of shops within walking distance of households.

Diagram 6.2- Sources of input supply and customers of wholesale of foodstuffs



6.4.2 Transformation of the marketing chain

There are two significant transformations in the local markets. First, the developments in the distribution network of marketing firms have intensified the competition among wholesalers. As they directly approach small retailers and offer lower prices, wholesaling firms have been marginalised in their market. Second, supermarkets and chain stores have entered into the business in Kayseri and Denizli. This has been parallel to the development of new forms of marketing and consumption habits in the country. The diffusion of big capital owners and modern sector businesses threaten the existence of traditional wholesaling activities. Many small retailers and wholesalers in different towns and villages were used to buy their supply from wholesalers and producers and then transported them to their shops. But at present they are offered delivery services for their orders through the new marketing and production chain. This has badly affected the control of wholesalers and their position in the market.

As a result of increasing control of producing and marketing firms, which shortens the chain between producers and consumers, the wholesale of foodstuffs has undergone a structural transformation. The traditional role of wholesalers has changed and a business transformation has become necessary for their survival. This change has also threatened the existing profit range of wholesalers as well as small retailers. Various strategies and business changes have been introduced by wholesalers. First, relatively large capital owners have diversified their businesses towards a new range of retailing and marketing. They have opened supermarkets and formed share holdings. Second, some wholesalers have succeeded in moving into a larger geographical area by introducing marketing and sales personnel, and vehicles. Third, a large section of small capital owners has tended to maintain the status-quo by relying on family and ethnic ties, and old business contacts. There are also various strategies such as diminishing the range of goods and/or specializing, and introducing a small delivery service. Businessmen also use their political and social pressure through business associations.

In wholesaling of foodstuffs, ten percent of the sample firms are planning to leave the business and 30% of them want to enter a new business alongside the current one. This is the highest among all sectors. The general complaint is about the "profusion" of market goods and the low profit margins in this sector. It is often claimed that in the current economic conditions only big wholesalers and capital owners can survive. However, this is not always the case. Wholesalers in Denizli and their marketing association (DENTOP) suffered deeply when the biggest Denizli wholesaler "*Küçük Adam*" went bankrupt. Negative effect of supermarkets and new marketing chains are particularly observed in Kayseri and Denizli. Businessmen also claim that anybody who has some money but no skill opens a small shop and this decreases the profit margins and weakens the business. However, survival strategies indicate a slow but profound change in this business. But the speed and range of this transformation and its geographical diffusion vary among the survey cities due to different regional contexts.

6.4.3 Regional differences in transformation

Gaziantep wholesaling practice: Gaziantep wholesalers show a slower move towards marketing changes than their counterparts in Kayseri and Denizli. This is largely due to the characteristics of businesses in Southeastern Anatolia. This region has a large and competitive market in which large marketing and distribution companies did not diffuse yet. The business hinterland has an ethnic variety with Kurdish and Turkish towns and villages. Although large food processing firms exist in the region and in Gaziantep, which has a well developed food industry in staple goods, nuts and pasta, traditional wholesaling has been maintained with small changes. There is a series of reasons behind this. The eastern market is largely rural and consumption habits are based on cottage production. Traditional seasonal buying of domestic food supply is still common among large families. The low per capita income and consumer tastes are not attractive for supermarkets and large investors.

Another factor is the political instability in the region. Business investments are risky due to continuous fighting between security forces and the Marxist Kurdish Workers Party (PKK). Therefore, neither supermarket chains nor new marketing strategies are developed. Basic changes in wholesaling have been the introduction of delivery services and the ethnic diversification of the market areas among different wholesalers. Nevertheless, more dramatic changes are expected to diffuse in time as Gaziantep wholesalers cannot isolate themselves from the overall trends in the country.

Local associations have played an important role in the development and the survival of business. A wholesalers' company was set up in 1985 by 25 wholesalers in Gaziantep in order to form "a strong voice". This company gained franchise agreements with factories and cooperatives in order to supply a large quantity of goods at cheap prices to its members. This attempt also aimed to control the regional market from outside competitors. There has been an influx of people from eastern towns to Gaziantep for economic and social reasons. Among the new settlers there are capital owners and/or businessmen who entered into commercial businesses in Gaziantep. Since 1985 the

number of wholesalers has increased dramatically. The Kurdish wholesalers in the city have been taking over the control of the Kurdish market of Gaziantep while language, local and kinship ties have facilitated their diffusion in the Kurdish towns.

The survey results indicate that the number of firms which have marketing and distributing services is the smallest in Gaziantep compared to the other survey areas. Ten out of 16 firms have no delivery service in this city. These firms sell their goods to small shop keepers in and around the city. They also have wholesalers and semi-wholesalers coming from eastern towns. Six of them supply their input largely from Gaziantep and the other 4 firms get goods from different parts of the country. Firms having a distributing and marketing service show geographically wider input-output relations. Their customers are basically wholesalers and semi-wholesalers in the neighboring cities and townships. The delivery services allow these firms to have a large market area and offer various supply goods to their customers. They also gain access to other towns while non-distributing firms have to rely mostly on small shop keepers in a limited part of the urban area. However, as observed in the case of two Kurdish firms, if the firm owners have personal contacts and ethnic ties with other wholesalers, or retailers in other towns, they can also have wide opportunities without a delivery service.

Kayseri wholesaling practice: Kayseri is the regional capital of several backward towns; Yozgat, Nevsehir, Sivas, Maras, Kirsehir. The wholesaling market in these towns is largely served by Kayseri firms. In the local market wholesaling activity is done by old merchant families who have run this business for many generations. A Kayseri marketing company of wholesalers was set up in 1975 by wholesaling businessmen. The early motive was to supply scarce goods from public and private companies during the economic crisis of the 1970s. It has become successful and the number of shareholders has risen from 20 to 100. This company still holds the franchise rights of some public enterprises and cooperatives. It has company status and its profits are distributed among members. Another attempt in Kayseri was to plan a site for wholesalers in the city for future space

needs in the 1980s. The Argincık wholesaling site was planned and constructed for wholesaling firms by the local government. However, some wholesalers were not satisfied with the location and retained their old location in the city centre.

Mr. Namık Sekerci, the chairman of wholesalers association, outlined a pessimistic picture of the sector in the city: in 1975 there were 70 big wholesalers, this number was 25 in 1990. Many wholesalers left the business and moved to other sectors due to decreasing profits and increasing competition from large companies and supermarkets. Profits decreased tremendously because big companies started to deliver goods even to small townships. At the same time they have encouraged supermarkets with special promotions and gift sales. This made supermarkets attractive for consumers. Therefore, wholesalers had to compete by setting up delivery and marketing services for inner city shops as well as for small towns and villages. Business transformations took place in Kayseri as three firms set up supermarket chains. These are *Begendik*, *Postagası* and *Nalpas*.

Transformation in the business occurred parallel to some other changes according to Mr. Sekerci. First, foreign markets have been influential on packaging and standards. Second, consumers became aware of details of goods such as packaging and variety. The type of goods sold and their amount have changed. Third, Kayseri merchants started to introduce new marketing methods.

Among the sample firms in this survey, 7 out of 14 firms have no delivery and marketing service. As observed in Gaziantep, these firms are serving small shopkeepers in the city and its townships. They also sell goods to local wholesalers and marketing firms. They supply goods from wholesalers and producers. Public institutions and state agencies are important customers of wholesalers since Kayseri has a larger size of public institutions and companies compared to Gaziantep and Denizli. Seven firms (50%) have marketing and delivery services. The market of these firms ranges from small towns to neighboring cities. Kayseri city appears as an important market for only 2 of these firms. The input supply for them comes from the big metropolitan cities; mainly from Istanbul, Ankara, Adana, Izmir and some other centres such as Eskisehir and Maras. These indications show

that firms with delivery services have a larger geographical area for their input-output relations.

Denizli wholesaling practice: The wholesalers of Denizli stretch out over a wide area in the region including: Manisa, Burdur, Antalya, Alanya, Mugla, Izmir, Aydın. Denizli wholesaling has also undergone new changes, as in Kayseri. One of the early attempts came from the local government. Denizli municipality opened a big supermarket chain, *Beltas*, in order to offer cheap goods to its citizens. There were two other supermarket chains which were privately owned in 1991. The business developed rather recently compared to Kayseri and Gaziantep. The rapid expansion of the business took place in 1974-75 and reached its peak in early the 1980s. For some wholesalers who could catch up with the changes, the business transformation was necessary. Mr. Cahit Koçer, chairman of the business association, drew an optimistic picture: *"Twenty three years ago we met wholesalers from three different European countries, they showed their experience to us...now we should be contemporary and follow new things. It is necessary to collaborate with large companies and introduce new business styles for economic development. We should overcome this traditional business mentality"*.

The wholesale association was established for reasons similar to the associations in Kayseri and Denizli. The prestige of the business was low in the late 1970s due to shortage of foods, and wholesalers were blamed for creating the black market. In 1979 a Denizli wholesaler organized an association, called DENTOP, in order to collaborate in obtaining goods and resist food shortages. They aimed to achieve a national federation in order to make the voice of wholesalers stronger. They also attempted to encourage similar associations in different provinces. However, this initiative has failed. The basic function of DENTOP remained as a bargaining power over industrialists. However, in 1990 DENTOP had to abolish itself for several reasons. First, the biggest shareholder, *Küçük Adam*, went bankrupt in 1990. Second, another big shareholder, *Merkür*, entered into supermarket chains.

Denizli has the highest rate of business which has delivery and marketing services among the survey cities. There are only two firms without a delivery service. One of them has recently sold its van due to financial problems. The market area of the Denizli wholesalers includes all neighbouring towns and cities. Small shops, supermarkets, wholesalers and public institutions are customers. Input supply comes from various cities such as Istanbul, Izmir, Konya, and Usak. Another feature of the business, which is clearer in Denizli than the other two cities, is the specialization among wholesalers. Two strategies are observed. First, some firms decreased the range of goods sold. Second, they got franchise status for basic supplies (like sugar and tea) which are mostly produced by the state factories. This give them an advantage of controlling certain types of goods and allowing specialization in the market.

6.5 MANUFACTURING OF MACHINERY AND PARTS:

"Business in Crisis"

There are four types of production in the manufacturing sector. These are meeting orders, putting out, subcontracting and production for stock. In the survey firms there is no standard and continuous amount of production as many manufacturers complain about the irregularity and discontinuity of the orders and lack of cash. Firms' production changes over time depending on the type of demand. Most of the sample firms declared that they produce according to short-term orders of small and large manufacturers, among them state enterprises. Putting out and subcontracting are the result of meeting orders from big companies. For example *Temsa* and *Komatsu* of Adana are ordering some production works in Gaziantep. Despite the size of these large companies their business linkage with small manufacturers was found to be weak in the city. Kayseri and Denizli firms also get some orders from big companies, but the proportion is smaller. The research indicates that networked firms and flexible specialization are not developed in the survey areas. Although there is a considerable size of inter-business linkages and orders among small and

medium-sized manufacturing firms, the small manufacturing sector has inadequate technology and manpower to cope with a large demand.

6.5.1 Background and present crisis

The general features of this sector was observed to be rather similar across each of the survey cities despite slight differences in the concentration of production and the number of firms. Small manufacturing of machinery and parts has developed and changed under the process of industrial development in the country. The consumer goods sector experienced rapid growth after the Second World War as investments were increasingly diverted to intermediate and capital goods industries. The highest growth rates were achieved in steel, paper, fertilizers, glass, motor vehicles, and tractor producing industries. Despite the privatization programme, state enterprises have maintained a large share in basic metal, paper, chemical and rubber industries and sugar (Ayata, 1982). This sectoral development and the increasing availability of intermediate goods for industry have opened new opportunities for small manufacturing firms.

A series of developments resulting from import substitution policies encouraged small machinery and parts production in the survey cities. First, the mechanization of agriculture in the 1950s introduced new machinery into towns and villages. This technological change in agriculture created a demand for repairing agricultural equipment and machinery. Then, small firms entered into small scale production of agricultural machinery alongside the large firms to meet increasing demand. Second, the use of motor vehicles gained pace after the 1960s. This also created a large demand for repairing and maintenance works. Production of machinery and parts for transport vehicles gradually developed for the growing domestic market. Small repair shops have played an important role in the development of skills for production. At the time of the survey, Gaziantep, Kayseri and Denizli all had many small firms in motor vehicle repairing and parts production. Diagram 6.3 illustrates the input-output relations of manufacturing firms in the survey areas. As can be seen, the customers of this sector are highly dispersed.

Another factor has been the increasing use of machine tools in manufacturing in the 1970s. This has increased the need for repairing and production of machinery in many urban areas. Small manufacturers supplied cheaper machines and parts to the local manufacturers. During liberal policies of the 1980s, the export oriented economy encouraged some sectors such as textiles, food processing, and metal works. This created further opportunities for small machinery and parts production. In the survey areas, textile machinery and parts production are widespread in various sizes and types of firms depending upon the demand from the local market for cheaper machinery.

The development of this sector is based on the accumulation of skills and experience in early forms of craft and artisanal works. As seen in the early establishments of small industrial quarters, the 1950s had a rapid expansion of small firms in repairing and metal works. There are a series of factors in the development of small firms in this sector. The fundamental change was the introduction of the lathe and turning machines in the 1960s. This marked a long but continuous move from traditional craft works such as coppersmiths and iron works toward the development of small manufacturing in machinery and parts production. Velzen explains this process: *"Lathes were in operation in state enterprises already before World War II. Self-employed craftsmen put the first lathe to use in Kayseri about 1950. Since founding of the crafts quarter more and more lathes have become part of production. With time, 'turners' skills have improved considerably. Turners produce a wide range of items: ploughs, tractor parts, central heating boilers, refrigerator chassis, store furnishing, hydraulic presses. The production is a response to a specific demand.."* (Velzen, 1977, pp: 79-83).

Another factor has been the increasing use of machinery parts, electric ovens, pressure cookers, stoves. This enabled local craftsmen to enter production. Technical schools and developing experiences in small workshops led the growth in manufacturing to parallel the process of the introduction of new machinery. Especially after the 1970s, the number of manufacturers increased in the urban areas when lathe and turning machines became widely used across the country.

The construction of small industry quarters in many cities was another remarkable result of this growth. Kayseri had its first small industry quarter in the 1950s and had a growth in the late 1960s. The small industry zone in Gaziantep has attracted thousands of small repairing and manufacturing firms in the 1970s. As also pointed out by Ayata (1982), small industry quarters contributed significantly to the expansion of small capitalist enterprises; physical proximity to other enterprises in the same line of production leads to exchange of ideas and cooperation among workshops, reduction in transport and communication costs and the possibility of even daily provision of raw materials from merchants in the same quarter.

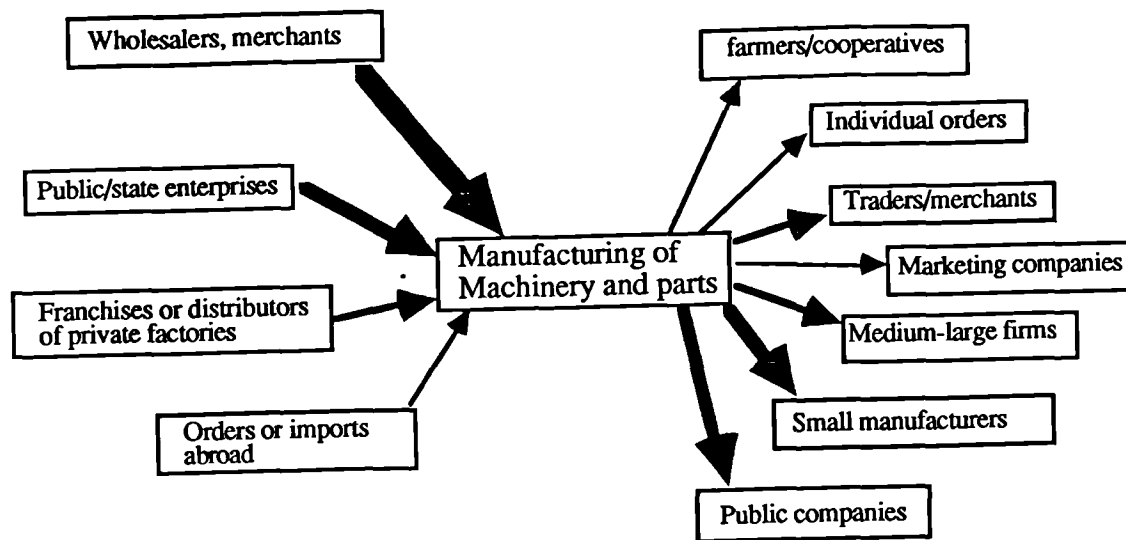
However, this survey indicates that small manufacturing of machinery and parts has had a crises of technological innovation and skilled manpower in recent years. The technology of the sector reached its limit at the beginning of the 1980s for several reasons. First, the state subsidies and support for domestic industrial development ceased because commerce, finance and banking sectors were given chief emphasis in government policies. Manufacturing became less attractive than trade and tourism sectors for capital owners. Second, macro economic problems, increasing external debt and high inflation rates increased difficulties of capital accumulation in small manufacturing firms. Subcontracting and putting out relations between large firms and small firms remained very limited (see Diagram 6.3). Finally, there has been no clear and consistent policy of financial and technical guidance for small manufacturing firms. Although manufacturing exports have increased remarkably during the 1980s, this occurred with utilization of actual capacity rather than a technological innovation (Senses, 1990; The Economist, 14/12/1991).

Table 6.6- Type of machinery and parts produced by sample firms in the manufacturing sector

	Cities and number of firms (*)		Denizli	TOTAL
	Gaziantep	Kayseri		
Textile machinery and electronic parts	8	4	9	21 (31.3)
Motor vehicle parts	6	5	3	14 (20.9)
Agricultural equipments & machinery	4	2	5	11 (16.1)
Machinery for food industry	1	2	2	5 (7.5)
Various machinery and parts	7	4	6	17 (25.4)

(*) Totals do not correspond to 100% as some firms declared more than one type of machinery production.

Diagram 6.3- Sources of input supply and customers of the business in manufacturing



6.5.2 Crisis of technology

A domestic tool industry is better positioned than overseas builders to identify the needs of users. It is frequently argued that a domestic machine tool industry is necessary for user industries successfully to assimilate new technologies developed and diffused by machine tool suppliers. If they have to rely on imported tools they will have to export a wide range of their manufacturing know-how (Carlsson, 1990). In that respect this survey does not provide such a linkage between small machinery producers and domestic machine tool suppliers. The Turkish domestic machine tool industry has recently been developing conventional machine tools used for production. These are usually defined as power-driven machines that are used to cut, form or shape metal.

In the survey areas, most of the machinery used by small manufacturers is old and mainly imported from former Czechoslovakia and Eastern Germany, and recently from Italy. The average age of machinery was found to be over 15 years. However, this age probably does not reflect the real situation because entrepreneurs are often unsure about the age of their machinery. The size of the second-hand machinery market was found to be remarkably large as only 29 firms (43.3%) declared that they did not have any second-hand

machinery. There was only one manufacturing firm using computers in its production, out of 67 firms. 60% of manufacturers complained about organizational problems in production and marketing. The working conditions of the current machinery was found to be unhealthy, noisy and dangerous. Results of on the job accidents were observed among some workers and entrepreneurs.

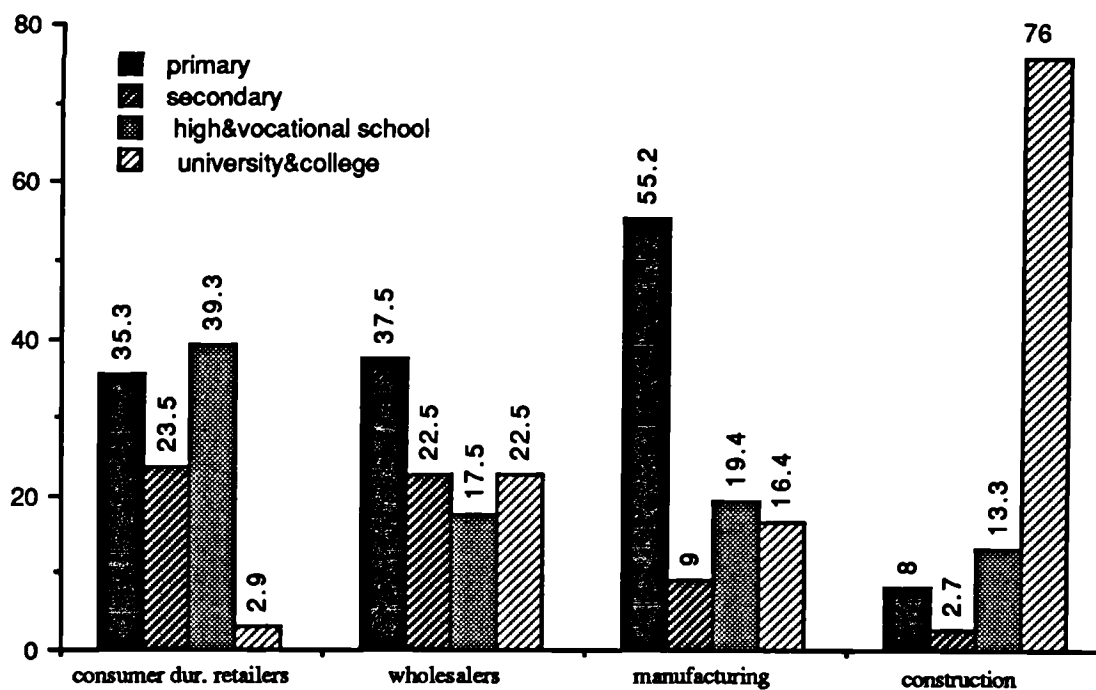
In other countries the recent development of new technology of numerical control (NC) machinery has brought flexibility and automatic control into machinery production. Micro-computer based machinery can displace four conventional machines (Carlsson, 1990). The world market is becoming global and new technologies are becoming available to potential users everywhere. There are two basic constraints in the survey areas in this respect. First, the domestic production of this kind of machinery is newly developing and limited. The necessary capital to get such a machinery is extremely expensive for small manufacturers. Second, there is a lack of technological innovation and production linkages between small and large firms which new production techniques can diffuse. Most of the survey firms do not have secure subcontracting linkages. Therefore, the necessary skills and markets for using these NC machinery were not observed to be available in the survey areas. Hence, small manufacturers produce conventional small machinery and parts by using conventional machine tools in their production process.

6.5.3 Crisis of manpower

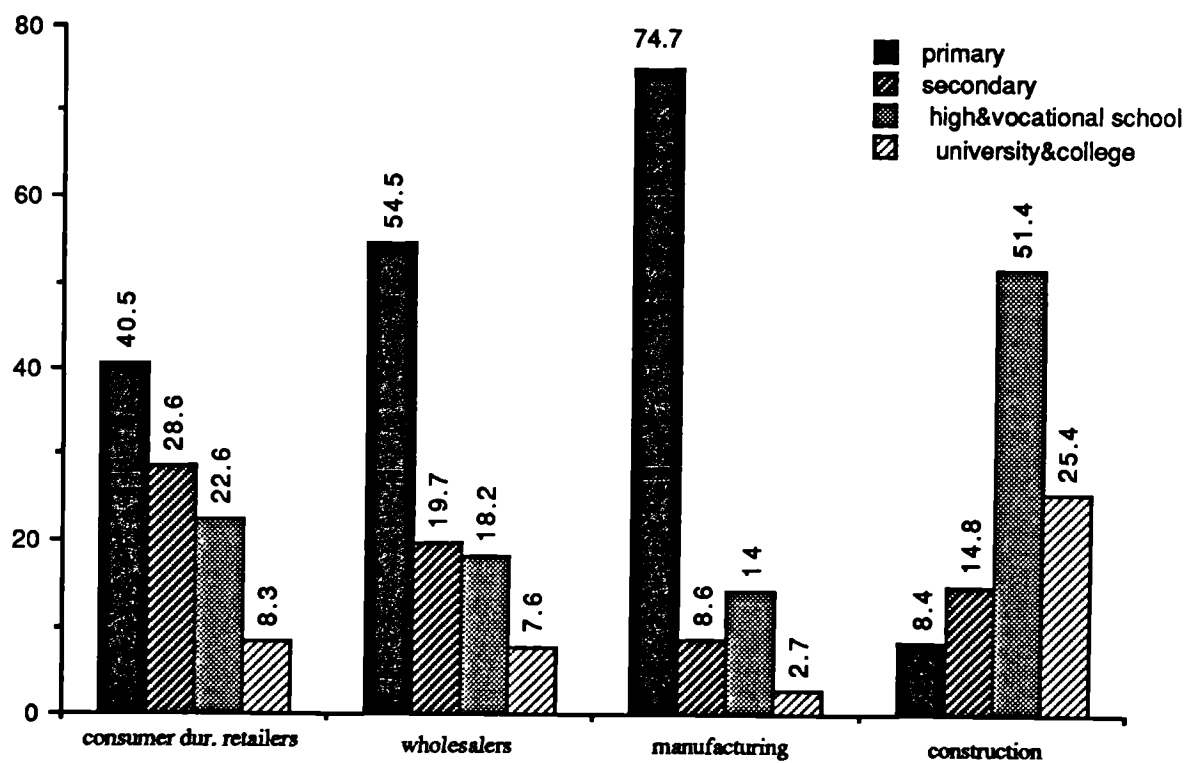
The survey results indicate that the lack of technological knowledge and skilled workers (24 %) comes as the second major obstacle to growth in manufacturing firms after cash flow and financial problems (43.2%). The poor educational backgrounds of entrepreneurs and workers indicate that the lack of new technologies and production skills constitute a bottle-neck for technological change. Over 60% of entrepreneurs have only primary or secondary school education (see Graph 6.1). Their understanding of machinery is based on practical experiences. Half of the sample entrepreneurs in this sector entered into business through working as an apprentice in small firms. The number of professional

managers and engineers employed in this sector is very small.

Graph 6.1 Highest level of formal education of entrepreneurs by sectors (%)



Graph 6.2 Highest level of formal education of employees by sectors (%)



Only a small section of firms (15%) have engineers either as employees or employers. Neither capital accumulation nor the level of understanding of the importance of engineering in these firms were found to be encouraging technological innovation (see Graph 6.2). The business owners play three roles in the organization of production. They supervise workers, manage the business and sometimes work alongside employees. These tasks are often mixed and only a small number of entrepreneurs are not physically involved in production.

Apprenticeships are a part of an old tradition which aims to teach a craft and socialize youngsters in a future profession. An apprentice learns a trade by working alongside the master. Upward mobility is the basis of the system. Many master businessmen come from a similar type of training. When a youth wants to enter employment in the crafts quarter his family first intercedes with one or another craftsman or business owner. Apprentice laborers differ from other categories of youths, school goers and those employed in family enterprises or in household activities especially in agriculture. Apprentices strive to become a journeymen, as judged by the master. After completion of military service, journeymen can set up an independent business. Journeymen in the past have had no shortage of opportunities to establish themselves as masters, often with assistance from other partners. However, it was clear from the survey that this upward mobility has become very difficult for workers as a consequence of the rapid expansion in the number of small firms up to 1980 and the lack of investment capital. This finding is parallel to some works on small firms such as Velzen (1977), Ayata (1990).

The sample entrepreneurs pointed out that poor family backgrounds of apprentices do not enable them to open an independent firm unless they get partners who own some capital. However, apprenticeship has become an employment opportunity for young children of the urban poor in the survey cities. Employers frequently complain about the low quality of this workforce. All surveyed business owners complained of a severe shortage of skilled labour. There is also a drain of qualified workers from this sector

towards large private and public firms as these offered more secure business contracts and insurance. Nevertheless, small business owners usually manage to keep a core group of workers by offering them insurance and better salaries.

The sample entrepreneurs also fear losing qualified journeymen due to the risk of imitation by a competitor. In addition, masters teach the production techniques to apprentices and they do not want a skilled youngster to leave the firm after their period of training. The traditional work ethics of apprenticeship, which is based on respect and obligation, are also under rapid transformation. Hard working conditions, long working hours, poor bargaining power and low salaries are basic complaints of apprentices and journeymen interviewed in Gaziantep and Kayseri.

6.6 CONSTRUCTION: "Modern Business in Duality"

The survey of the construction firms indicated that even in a formal and modern sector there might be characteristics of the informal sector. With the highest proportion of university graduates and modern housing construction, the sample firms also make considerable use of informal, unregistered labour through sub-contractors. This is partly due to the characteristics of the sector. However, the volatility of this sector does not create continuous and secure contracts for small firm owners either. The possible business link between formal and informal housing construction markets, however, is not observed among the small construction firms in the survey.

6.6.1 General background and the development of sector

Private construction firms developed in urban areas as housing demand continued to increase after the 1950s. The public agencies and government policies have encouraged the growth of small construction firms. Governments have provided credits and incentives for housing construction since the 1960s. Social security institutions and public organizations gave cheap credits to housing cooperatives. Public funding together with family savings have been channeled into home ownership of middle class families. There

have also been some attempts to increase housing production such as the Mass Housing Act of 1981 and the establishment of Mass Housing Organization (*Toplu Konut Kamu Idaresi Ortaklığı*). These initiatives have been centrally planned and introduced across the provinces in Turkey. Despite these attempts, quasi-legal housing markets in cities could not be prevented. The state played an important role both as supplier of some construction materials and as consumer in the construction sector. Public bidding for acquiring buildings of schools, hospitals, etc. created market opportunities and capital accumulation for private construction firms.

Urban form and housing demand are two important elements in the development of the private sector construction. Concentric urban development, urban infrastructure only in limited areas and a poor public transport system have created higher land values in central locations for housing and other activities. Land speculation and urban planning have also encouraged densely populated central areas. Since the act of multi-storey ownership in 1954 apartment blocks have been the dominant form of formal housing development in urban areas. Starting from the 1950s, a quasi-formal squatter housing has also emerged for low income groups and rural migrants. The dual structure of the housing market has remained due to the difference of income and life style of different groups. In this study, the informal squatter housing sector is excluded from the survey.

It is small constructors who largely controlled the local markets for building construction in the survey areas. The type of entrepreneurs has changed in this sector. Merchants and small capital holders dominated the market until the number of professionals increased in the 1970s and 80s. The architects and engineers have had a positive effect on the quality and technology of construction. The sector opened to the world market in the 1980s when Turkish construction companies started to get projects from Middle Eastern Countries and the Ex-Soviet Union (*The Economist*, 14/3/1991). This affected positively the industry for construction materials and the quality of buildings. However, unqualified construction firms survived in local niches.

There has been a dramatic change in market demand in the survey cities.

Increasing economic difficulties and income inequality have narrowed the demand for low and middle class apartments whereas luxurious flats for upper middle and upper income groups became the major production for construction firms, particularly in Gaziantep and Kayseri. This was explained by local informants: "*Middle class families cannot any more afford buying flats. But we can sell flats with luxurious designs and quality materials. People, who can afford, now want higher quality and design. This is the situation of the market after the 1980s*". The change in the demand structure and the introduction of industrial materials have increased the quality of construction in the local markets. But the cost of apartment flats has remained high. Land speculation has been the prime cost factor as capital owners invested in land and building. This sector has been open to entry by any capital holder.

6.6.2 Different forms of construction

There are four basic forms of construction businesses assessed in this survey. The share of each type of production could not be measured in the local markets but the most common forms were build and sell, and private building cooperatives. Many entrepreneurs pointed out that they change the form of their business according to demand and the opportunities of the market. Public bidding appeared as a specialization area for some construction firms due to its particular process and bureaucratic relations. In addition to these forms, professional engineers and architects produced projects and designs for their construction and other contractors in the local markets (see Diagram 6.4).

Build and sell (Yap-Sat): This is the most common type of production in the housing sector. There are two types: in the first type the construction, the firm buys the land, builds the apartment and sells the flats. This needs a lot of capital. In the second type the landowner and the construction firm agree on principals and make a building contract that gives a certain number of flats to the land owner. This share depends upon the location and size of the parcel. It can reach up to 50%. The high returns required by land owners

are pointed out as one of the bottlenecks in the housing construction sector by the sample entrepreneurs. This makes capital accumulation harder for small construction firms. However, the construction can be managed with small start-up capital. The business owner sells flats throughout the construction period and gets regular payments from customers. Many sample professionals entered the business through this type of production. However, the nature of this market practice also creates opportunities for many other entrepreneurs.

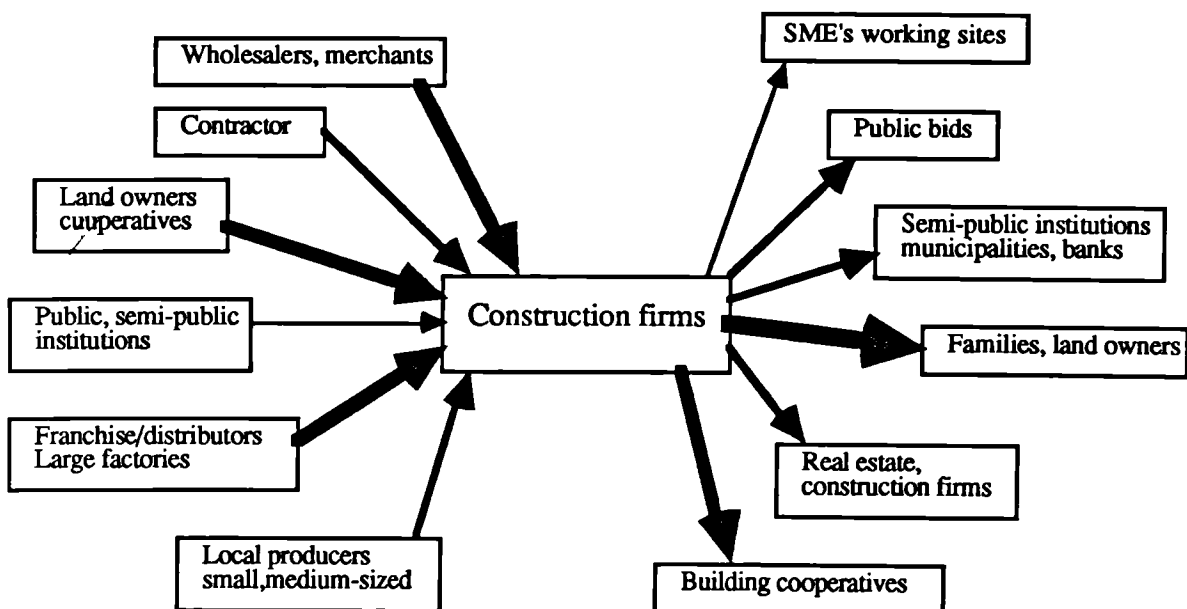
Private building cooperatives: Individuals and members of a professional association can form a building cooperative, purchase the land and organize construction. This has been a cheaper way of acquiring houses for middle and lower middle income classes. The construction firm is hired by the cooperative. The role of construction firm is to make or organize architectural and engineering projects and control the building construction. In some cases they can be the only controller of the construction. In this form the payment for construction is paid as a percentage share which is calculated according to the size and type of building. This type of construction is often attractive for young professionals. It also provides work opportunities for firms in times of market saturation without any need of capital.

Bidding and undertakings: Government institutions and public companies acquire their buildings through public bidding. Construction of schools, hospitals and other institutions are undertaken by local construction firms. Their business volume is dependent upon the public investments in the survey cities. During periods of expansion of government spending this demand creates a market niche for construction firms. There are two different characteristics of this type of construction. First, the construction site can be far from the city. Second, the bureaucratic process is often long and needs to be known in order to get the work. Therefore, market entry is not easy in terms of organization and construction of the order. Usually a group of construction firm are specialized in this type

of production in the survey areas. They develop business experience and contacts with bureaucratic organizations which also help them to organize the work.

Building of second houses: In recent years there has been a growing number of second house demand in the survey cities. Upper income classes, among them private business owners who have capital, usually want to get a second house either in the rural areas of the city fringe or on the coast. Although the size of this market is not large, it offers profits and a different type of experience. Engineers and architects pointed out that they could realize some creative designs and professional ambitions in this type of construction. Professionals are mostly performing this business with new quality material and stylish architectural designs. This type of construction is sometimes organized and built in a site with a group of houses. The demand for these houses is little affected by economic difficulties and it creates a market niche for firm survival.

Diagram 6.4- Sources of input supply and customers of the business in construction



6.6.3 Informal links of the business: sub-contractors and labour

Although this study excluded the informal housing sector, it was observed that there is also an informal side to the modern construction firms. The structure of the construction business itself is dualistic, as pointed out by Stretton (1981). Employment in this sector has more in common with that in the informal sector than the modern sector. The fluctuations in the number of jobs created by building works creates a volatile labour market. As a result of annual fluctuations in the level of output and variations in the size and composition of the workforce required at different stages of one project, most laborers in this industry are employed on a casual basis.

There are three groups; owner constructors (*müteahhit*), self-employed artisans working as sub-contractors (*tasaron*), and unskilled labour (*amele*). The *müteahhit* organizes the building work and coordinates the involvement of different sub-contractors. The *tasaron* are highly skilled artisans but have received no "formal" training. They operate independently of construction firms and rely on work contracts. They are hired for the duration of one project or only one stage of the project. There are normally 13-15 teams who work in building construction. The in-depth interviews with some *tasaron* indicated that these self-employed artisans are specialized in particular tasks and have their own working teams. They form these teams from their villagers and relatives and maintain an information flow at future opportunities. The employees in this sector are not protected by labour contracts. There is no guarantee of employment duration. Only the sub-contractor, as team leader, has insurance and verbal contracts with the business owner.

The *amele* have no vocational training. Skills are acquired basically by working with a master subcontractor. Most of the construction workers, including some sub-contractors, are temporary immigrants from neighbouring towns and villages of urban areas. Sub-contractors maintain their contacts with construction firms. Some of them always work for the same firm. This mutual business confidence is crucial for the hiring of sub-contractors. Workers move to their home town or village and work in agriculture or another construction site when they have no job in the city. Not only fluctuations in the

market but also weather changes, such as cold winters, affect the employment opportunities in the construction sector. This type of circular migration pattern, which was observed in the survey cities, was a mechanism developed in order to cope with uncertain employment and income. These points are very similar to Stretton's findings (1981, pp.330): "*When work is no longer available the laborer will return to his home town until his foreman or friends inform him that employment is available again...This information system is based on small groups of laborers led by foremen or highly skilled laborers*".

There is no indication that unskilled labourers in this sector move to modern sectors of employment, but there is some indication that there are former sub-contractors among owners of small construction firms in the survey. The local market linkages and social networks of sub-contractors can create further opportunities for business. The small businessmen as well as sub-contractors complained about the informal structure of the building market. Sub-contractors had no responsibility and the quality of work was unsatisfactory according to business owners. In recent years, some sub-contractors and businessmen have attempted to organize their market by forming business associations. This was observed in Kayseri and Denizli where some carpenters and plumbers have set up small shops so that they have permanent addresses and jobs. In Gaziantep, the business association of construction firms has introduced a formal contracting agreement which gives some responsibilities to sub-contractors and defines the job conditions. It included 18 defined items of work in building. The chairman of the association, Mr Kanalıcı, argues that by introducing a set of regulations, production standards and cost measures for each item, the construction sector will gain formality and business confidence in Gaziantep.

The technology of production is labour intensive but some equipment such as concrete mixers, hoists and concrete vibrators are used in construction. These are often hired or brought in by sub-contractors. Building materials are mainly supplied from local distributors and merchants. These are franchises and distributors of large factories in local markets. Some construction entrepreneurs also get franchising agreements for some products. In certain cases the sub-contractor supplies the materials and gets a percentage of

profit. Computer use in planning and project offices is also observed among professional engineers (10 out of 75 firms). There is some evidence that gradually professionals are getting into subcontracting work which largely been performed by unqualified master *tasaron*.

6.7 CONCLUSION

This chapter has shown that there are different trends and changes affecting the business practices and survival of small firms in the different sectors. The structure and role of small firms in each sector are affected by changes in the national economy. The small firm sector is not a homogeneous entity. Although this is pointed out by some researchers (Curran, 1989), there is also a gap in the current literature in understanding the changing role of small firms in various sectors. Small firms have been analysed here with their backward and forward linkages. The empirical evidence indicates that small firms have different positions and roles in each survey sectors. These roles parallel new demand structures. The large private and public companies play an important role in the diffusion of technology and new products. This thesis has shown that there are strong links between large and small firms as well as public and private sectors in terms of diffusion of technology and input-output relations. Data analysis also showed large sectoral variations regarding employment size, capital formation, entrepreneurial backgrounds and geography of business linkages.

Retailing of consumer durable goods is integrated into national and regional markets through large scale marketing and production companies. Small firms in this sector have developed as a result of increasing domestic production and consumption and they play the role of local "agents" of large marketing and producing companies. The control of small firms over market prices and supply goods in this sector is very small. Business entry to this sector depends upon business credibility, name and capital or assets, rather than any particular qualification.

Wholesaling as an old urban activity, which has long relied on regional boundaries and seasonal buying, is changing. This is due to the transformation of the marketing chain among producers, wholesalers, supermarkets and small retailers. Small wholesaling firms in this sector had to introduce new business strategies for survival. This has forced many wholesalers to change their traditional business practices. However, there are regional differences in the process of transformation in this business. While Kayseri and Denizli have experienced a growth in the number of marketing companies and supermarkets, traditional wholesaling is maintained in Gaziantep with only small adjustments.

Manufacturing of machinery and parts is observed to be in a crisis with respect to technology and human capital. Small firms in this sector have largely benefited from policies of industrialization and import substitution. Domestic production and market demand of various machinery facilitated growth of small manufacturing and repairing firms. Mechanization in agriculture, increasing numbers of motor vehicles, and industrial production have three important developments which affected the expansion of small firms in medium-sized cities. A new type of entrepreneur, qualified workers and computer-aided machinery are crucial requirements for competitive and flexible production in this sector. However, this is dependent upon technological change in the machine tool industry in the country as a whole. There is also a lack of networking and subcontracting among small and large firms for diffusion of new technologies.

Modern small construction firms are characterized by their dualistic structure. Small construction firms provide a case of informal and formal dichotomy. The informal use of labour and subcontracting is a widespread phenomenon in the survey areas. This demonstrates how small capitalist firms have links with the informal sector. The increasing number of university graduate professionals in this sector affects the business practices and local markets. However, small construction firms attract many other investors due to land and building speculation and easy entry. This, together with fluctuations in the business, create volatile and quickly changing markets for housing construction. Therefore, entrepreneurs rely on different business practices and try to open market niches for

themselves through public bids, construction of second houses, and work sites.

Professional engineers and architects also undertake sub-contacts and projects from other businesses. The diffusion of modern construction techniques and professionals gradually increases network relations and formal contracts in this sector.

In summary, this chapter has provided analysis of the set of structural differences among the survey sectors. The sectoral differences examined in this chapter are an important contextual part of the economics of small firms rather than the only determinant, and these are expanded upon in the following chapters.

CHAPTER SEVEN

ANTHROPOLOGY OF SMALL FIRMS IN THE SEMI-PERIPHERY

7.1 INTRODUCTION

This chapter is concerned with the anthropological aspects of small firms. These have been given little recognition in small business studies. The chapter examines family involvement¹, gender relations, ethnic and religious aspects as well as social networks and cultural values. The empirical evidence shows that small firms are a part of the social and familial life of business owners. Small businesses are places of social contacts through their partnership structures, employment and customer relations.

There are four basic hypotheses that are analysed in this chapter. First, that small firms operate on an idiosyncratic basis in which personal contacts, social networks and kinship involvement characterize the daily practices of the business. Family/kin and friendship relations are at the heart of small businesses in different sectors to varying degrees. They serve as a source of start-up capital and skills and experience for production and businesses practices. Second, it is hypothesized that small firms rely on these characteristics due to uncertainty caused by a lack of vision of the local and national economies which inhibits their survival strategies and growth. Third, as personalities and social networks are more important than structural organization, cultural values and traditions as well as religious beliefs affect business practices in the local market. Fourth, gender and ethnic relations and religious characteristics not only create divisions in the labour market, but they also affect entrepreneurial characteristics and the type of business relations embedded in the local market.

¹) *Aile* means family in Turkish. It is used to refer to nuclear and extended families. In the present survey family involvement is meant in both the nuclear and extended sense.

7.2 CULTURAL VALUES AND SOCIAL ASSOCIATIONS

Some aspects of small businesses in this survey can be understood in terms of persistent principles of Turkish social structure and culture. The importance of family and friendship relations is distinctive for small businesses in Turkish society. In addition, coming from the same town or region (*hemserilik*), or having common religious and ethnic identities reinforces business contacts. Dubetsky (1976) suggests that concepts of trustworthiness (*dürüstlük*), reliability (*güvenirlilik*) and loyalty (*sadakat*) are at the very core of social relations among individuals in their contacts with institutions. He points out that trustworthiness in Turkish culture is the key to an understanding of personalised organizations. These concepts are basic to Turkish social organization and therefore merit serious consideration in this study. Loyalty is directed toward the head of the organization, or of the subsection of the organization, rather than to the firm as a unit. My observations suggest that like organizational and institutional structures, contacts in Turkish small businesses are largely based on personalities and the concepts of *dürüstlük*, *güvenirlilik* and *sadakat*.

In small firms these concepts are crucial factors in the patriarchal and personalized systems of authority. One finds this same attempt to mediate business or impersonal relationships or exchanges through friends (*tanıdık*) or by kinsmen even among highly urbanised Turks. This ranges from dealing with the government bureaucracy to arranging a job for a relative in a small business (see case A1). Consequently, this causes inequality and injustice for those who lack proper contacts. Therefore, social networks of friendships and kinsmen serve the needs of their members by solving personal and institutional problems. Some examples from intensive interviews illustrate these points. However, it is also seen that there are differences between generations concerning values of trust and loyalty (see Case A2).

Case A1 (027-13) Gaziantep: The small industry development organization (KÜSGET) is a government body in Gaziantep. There are complaints about its slow and highly bureaucratic structure. However, more than the institution itself, friendships tend to solve problems of entrepreneurs. One businessman says *"KÜSGET does not serve our needs. They charge high prices and their technology is not up-to-date. Within the legal procedure of this institution things take long. Our friends in KÜSGET help us solving our problems"*.

Case A2 (017-12) Gaziantep: A sixty year old wholesaler, the head of a family business explains: *"It is a matter of trust. I would not even give my pencil to some, but I would give my whole shop to another. I cannot endure the new generation. We are old, we believe in trustworthiness and loyalty. The new generations do not believe in these values"*. Another wholesaler (in Kayseri) says *" The new generation expects everything at once. They are not patient. Trustworthiness and hard work have less value for them"*.

In fact, personal trust and loyalty are important concepts in small businesses not only in Turkey but also in other countries, despite large cultural differences. The findings of this research is parallel to other small business studies in other countries. Family involvement, the close control of the businessmen in the firm, and the organic structure of the management go together with trust and loyalty in personal relations (Goffee and Scase, 1985; Lazerson, 1990; Curran and Burrows, 1993). One of the consequences of the lack of trust is the reluctance of businessmen to give responsible positions to non-family members.

Business owners often expressed low confidence in outsiders as they fear that they will take personal advantage of any information about the business and work for their own interests. One example of this tendency to avoid distributing key business practices outside the family and shareholders is the division of tasks in the firm (see Table 7.1). In the survey, it was revealed that all major tasks are performed by the entrepreneur and family members. As a consequence, 49.5% of the problems concerning the business were seen to be organizational difficulties such as the lack of time since entrepreneurs and family members want to control all major tasks. More specifically, entrepreneurs or business owners are particularly keen on holding control over business matters.

Table 7.1- Performance of tasks in small businesses

Tasks	Number of firms (%) and task performed by (*)					
	Entrepreneur	Ent+family	Family	Entrep/family shareholder	Manager master	Accountant
Accounting	-	-	-	34 (15.7)	-	181 (83.8)
Deal with banks	125 (57.9)	46 (21.3)	21 (9.7)	11 (5.1)	13 (6.0)	-
Market info.	125 (57.9)	56 (25.9)	14 (6.5)	17 (7.9)	4 (1.9)	-
Business arrang.	132 (61.1)	62 (28.7)	3 (1.3)	18 (8.3)	1 (0.5)	-

(*) Column totals do not correspond to 100% as there are more than one task performed by the entrepreneur or family.

7.2.1 Family involvement in small firms

Small businesses are important family assets. Family involvement is an important characteristic of small firms and the family firm has a high social status in the survey areas. This nature of small firms is shown in numerous studies both in and outside of Turkey (Goffee and Scase, 1985; Hitchens and O'Farrell, 1987; Ayata, 1991). There are several forms of family involvement such as firms of father-son, and brother-brother. Firms are often given the name of their owner especially in the commercial sector, and their success is a matter of family pride. There were several old and established families in commerce in the three survey cities, such as Mr. Sekerci in Kayseri and Mr. Koçer in Denizli who are second generation wholesale traders, as well as leaders in regional wholesaling associations.

The old and respectable name of the family together with their business wealth not only open the leadership channels in local business and political affairs, but also facilitate business deals and credibility in the market. Small firms also create employment opportunities and offer the early development of skills and experience for family members. Family resources and heritage are critical to the establishment and survival of a small firm. However, there are often conflicts and jealousy among family members. Although it is difficult to provide statistical information from the survey, the break-up of partnerships and vexation among kinsmen in local markets was frequently observed. Some entrepreneurs' previous work experiences and life stories give some indication about inter-family

conflicts. However, this fact is seen as a family affair and they simply say "*anlasamadık*" (we couldn't get on well).

Source of employment and partnership

There are important contrasts between sectors in the role of family and partnership. Consumer durable retailers and wholesalers of foodstuffs are largely family businesses in the three survey cities. In the survey, direct family involvement is measured by the number of family members working in the firm. In 52 out of 74 (70.3 %) firms at least one family member was working on a full time or part time basis alongside the business owner. Kayseri in particular has a high percentage of family involvement in these two sectors (80.0%), and is even higher in wholesaling (84.6%) due to the traditional nature of this business. There is only a small proportion of outsiders working in these firms. Therefore, these commercial businesses contribute to the job creation in the form of self-employment of their family members and relatives although the size of staff is small (mostly 2-3 employees).

A different tendency occurs in the manufacturing and construction sectors. 32 out of 67 firms (47.8%) in the manufacturing sector have family/relatives working in the business. This rate is lower in the construction sector 24.0% (18 firms out of 75). In these sectors family employment appears to be less important while the skills and professional qualifications of employees are given more importance than their kinship ties.

It is important to analyse the form of family partnerships. Table 7.2 shows this for those firms that are run by family partners. These are 33.8% of the total sample. The survey shows that young family members and shareholders are not given full responsibility in the business. The division of tasks are not clearly specified among family members. Despite the high level of family involvement in the sample firms, legal partnerships among family members do not occur commonly. The typology of family partnership, as seen in the Table 7.2, indicates that family partnership is most common among commercial sector firms (52.9% in consumer durable retailing and 45% in wholesaling of foodstuffs). It is widely observed among brothers (36 firms out of 216 sample firms, 16.7%), and among

fathers-sons (21 firms, 9.7%). Family partnerships are much less likely in the construction firms (6%).

Although the chief owner and controller is often the same person, there is often a flexible and changing division of tasks among family members. Even if there is no partnership structure they still join the decision making process. There is no formal employee/employer relationship as they share common interests and thus it is often difficult to distinguish a structural division of tasks and partnership structures among family members in these firms. Business owners are also reluctant to give details about their work as it is part of their family affairs which they believe ought to be private. However, it was observed that conflicts of interest and personality disputes do exist among family members and they may result in failure and re-formation of small firms. Previous job experiences of entrepreneurs indicate this changing nature of family involvement. A similar observation is also pointed out by Ayata (1991) in his Kayseri work and other researchers elsewhere.

Table 7.2- The typology of family partnership in the survey sectors

	Consumer dur.	Number of firms and percentages (%)			Total	Sample %
		Wholesaling	Manufacturing	Construction		
Fathers-sons	5	7	8	1	21	9.7
Brother-brother	6	8	16	6	36	16.7
Spouses	1	-	-	8	9	4.2
Other relatives	6	3	-	2	11	5.1
TOTAL (%)	18 (52.9)	18 (45.0)	24 (35.8)	17 (22.6)	77	33.8

Source of skill and experience

Small firms offer certain skills and experiences to young family members and relatives. They get involved in business deals, make friends and develop their knowledge of the business market. In addition, elder brothers and/or friends running their own firms inspire them in their future choices of work. This affects the future business choice of immediate family members and relatives, and as an example it also contributes to the development of entrepreneurial ambitions among youngsters. According to the overall data

analyses, the influence of family members, especially fathers and brothers, appears to be a primary reason why business owners choose the current business. The market experience and personal contacts of family members are utilized by the business owner. They often get help and advice from other family members who have experience in the business. The first working experience of business owners in the survey gives a clear indication about the early employment and development of business skills in family firms.

118 out of 216 (54.6%) interviewed business owners were engaged in a family business in the past. Many developed their first market knowledge and business contacts through their experience in a family firm. Among these, commercial businesses come first (41.5%), followed by manufacturing and repairing activities including weaving (28.8%) and agriculture (16.1%). However, businessmen have generally followed market opportunities and new developments instead of maintaining the old family business. Only 32 out of 216 (14.8%) businessmen maintain the same family business. But businessmen use their previous experiences and tend to remain in jobs or sectors similar to previous jobs. Wholesalers and consumer durable retailers have primarily worked previously in a family business in a commercial sector. Manufacturers worked in manufacturing and repairing types of jobs. In contrast to, the crucial role of professional involvement and the education of architects and engineers in construction businesses diminishes the importance of the early start in a family business for this sector, so it is not surprising that family firms are least common here.

Sources of start-up capital and survival

Immediate family members and relatives are important sources of financial capital for small businesses. Primary and secondary sources of start-up capital are largely based on family and/or the father's savings, as well as borrowing from relatives and friends. In the survey, 90 firms out of 216 (41.6%) declared that their primary source of start-up capital came from family or fathers and for 13 firms (6.0%) borrowing from relatives and friends. Only 76 firms had a secondary source. Among these the secondary source was

also family savings or borrowing: 24 firms (31.6%) had family/father savings and 8 firms (10.5%) had borrowing from relatives or friends as secondary sources. In terms of sectoral distribution, manufacturing shows the highest dependence upon family savings and borrowing (62.4%) as the primary source of capital. Studies of the small manufacturing sector in Turkey also show that there is a high dependence upon family and personal savings as initial financial resources (Velzen, 1977; Ayata, 1990; Aktar, 1991). This is also shown in other countries. For example, a case study of Lewis and Williams (1987) indicates that initial capital was usually provided from personal and family savings in Portuguese small manufacturing firms.

Many Turkish studies emphasise the importance of family labour. Small firm surveys of Bursa by Çınar et al. (1988a; 1988b) and Aktar (1990) show that the surplus accrued from having unpaid family and child labour in clothing and weaving firms is a crucial source of funds for survival. Family involvement is a means of capital supply, labour and network relations. It is observed to be very important for the survival and growth of small businesses.

Mutual trust and confidence among family members is often expressed in the highly personal environment of small firms. It facilitates their growth and survival through collective action and solidarity of family members. Benedict (1968) argues that family firms are important for the economic development of low income countries. In his analysis the family firm organization is more important in the early stages of the growth of the firm than in the later stages. He similarly observes that nepotism and paternalism are also important in family firms. As a unit of particular social relations, these firms maintain traditional cultural values by resisting outsiders and managerial changes which may result in inertia and poor adaptation of new technologies. However, this is not only a function of family and kin business but it is highly dependent upon the complex interplay within the sector of the business, the entrepreneurial background and other social networks.

Table 7.3- The role of family and friends as sources of start-up capital (*)

Sectors	Primary source N of cases	%	Secondary source N of cases	%
Consumer durable (Total)	17	50.0	9	61.3
Savings of fam/father	16 (34)	47.1	4 (13)	30.8
Borrowing relative/friends	1 (34)	2.9	5 (13)	38.5
Wholesaling foodstuffs (Total)	16	40.0	8	40.0
Savings of fam/father	16 (40)	40.0	7 (20)	35.0
Borrowing relative/friends	none	none	1 (20)	5
Manufacturing (Total)	43	62.4	12	52.2
Savings of fam/father	33 (67)	49.3	10 (23)	43.5
Borrowing relative/friends	10 (67)	14.9	2 (23)	8.7
Construction (Total)	27	36.0	3	15
Savings of fam/father	25 (75)	33.3	3 (20)	15
Borrowing relative/friends	2 (75)	2.7	none	none
TOTAL	103	47.7	32	14.8
Savings of fam/father	90	41.7	24	11.1
Borrowing relative/friends	13	6.0	8	3.7

(*) Numbers in parentheses indicate the number of replies in each sector. Total number of cases is 216.

7.2.2 Aspects of *hemserilik* and friendship ties

The business owners were asked how they obtain cash if they had an urgent need. This is a measure of assessing how working capital and cash flow difficulties are overcome. Friends and colleagues were the first alternative source in 111 firms out of 216 (51.4%). This is followed by family and kin (18.5%). Among secondary sources of immediate cash, friends and colleagues again had the highest priority (21.8%) followed by kin 18.1%. There are not significant differences between sectors as immediate cash is generally obtained from business friends and relatives. This measure is one indication of the importance of friendship and professional ties among businessmen. We observed that these ties are replacing familial and kinship relations in the local business atmosphere. Business friends lend and borrow cash among each other for short term purposes. They have common investments mostly in land and the construction sector. Their families know and visit each other. These friendships often form networks of relations among individuals. They hold common grounds of values, beliefs and interests. There is also a geographical association of *hemserilik*. One of the common complaints is the changing character of cities and social life throughout urban growth, as one expressed in Gaziantep:

"There has been a lot of migration from eastern towns to Gaziantep. The social environment, which we used to recognize and know, has been disappearing".

People get to know each other and construct a common ground through families and primordial ties which come from similar geographical identities and cultures. Businessmen coming from the same village or town build friendships. They also get customers through *hemserilik* ties as they either know each other's family or have a common friend or relative. For some consumer durable retailers their villagers and peasants living in the city or commuting from their villages were substantial customers of the business. As firms are trying to use niches in the market, social associations offer opportunities to be used by business owners. Therefore, *hemseri* is used as one of the indicators for being reliable and trustworthy for both businessmen and customers. The same is true of employment relations. Although the information about employees in this study does not provide full details, it was observed that *hemserilik* is one of the main criteria used in labour recruitment, particularly in the construction and manufacturing sectors.

These primordial ties form highly personalized business practices in the survey cities. In all sectors it was observed that small business owners offer more concessions and softer negotiations for their countrymen and good friends for the sake of their reputation in the local market, and for future interests. This appears in the determination of prices for goods and services as 133 firms (61.6%) stated that they bargain over the price of the goods and services on a daily basis.

The researcher had a chance to observe some of these friendship networks in detail in Gaziantep. It was the evening and/or lunch meals where friends from different sectors gather and talk about business matters, daily events and politics. This was done several times a week among males accompanied by long eating and drinking hours. Meetings with spouses and families were less frequent and less business oriented. The different groupings and networks varied according to professional background, childhood or school

friends, business links and familial/kin ties etc. Individuals often were members of more than one group and network.

7.2.3 Social and business networks of small firms

A network is generally defined as a specific type of relation linking a defined set of persons, objects or events (Barnes, 1978; Szarka, 1990). By following Szarka's analysis we can identify three types of networks in small firms. These are exchange networks, communication networks and social networks. Szarka argues that the exchange network is central to the economic life of the firm. The communication networks and social networks sustain exchange networks. Three main types of constitution in exchange networks are based on control, coordination and co-operation. "Control" refers to quasi-hierarchical relationships allowing one company to dominate another. For example, consumer durable retailers in this survey are controlled by large producing and marketing companies. "Co-ordination" is a situation in which a leading firm orchestrates the value-added chain. This is partly observed among construction firms and contractors. "Co-operative" relations among firms eliminate a leading firm or a key actor. This is commonly observed among small manufacturers in the survey cities.

In the formation of networks there are three important elements. These are family and kin ties, friendship relations, and business contacts and clients. Interestingly, this nature of small firm networks observed in the survey is similar to the study of Curran et al. (1993) in the UK, a highly industrialized society. The economic definition and structured pattern of these exchange networks are observed to be different between the sectors. In commercial businesses, there is a control and co-ordination based on the exchange networks while construction firms have co-ordination relations with contractors, and manufacturing firms have co-operative relations. But, these exchange networks are vulnerable due to the economic instability of the country. Therefore, the communication and social networks provide a guarantee for long term trust and confidence among individuals. Our findings show that entrepreneurs place much more importance on

"informal", social networks rather than "formal" networks. Consequently, the social networks are observed as a strong and often dominant issue in the business practices of small firms.

The functioning of small business is highly dependent on personal contacts and solidarity networks. However, there are also sub-segments and divisions based on birth places, ideologies, and educational and family backgrounds. These networks are formed by values, common ideas, interest and power relations. Members or individuals of these groups have to consider their role in the social networks and in their local business on a long term basis. The survey show that there are several features which make these networks important. First, in a relatively small city, name and honour are important for maintaining good business contacts. Second, businessmen compensate or replace their lack of trust in government institutions in a highly unstable economic environment within these friendship and social networks. Third, entrepreneurs often have little education and a rural background. They rely on external support and information to maintain the business. Fourth, social networks create a form of security for the unstable and dependent business nature of small firms. Social networks thus replace institutions in the absence of formal information networks and an efficient bureaucracy.

There are three institutional mechanisms where social networks are formed and maintained. First, the local chambers of commerce and industry and other professional associations act as meeting and socializing places for their members. The solidarity and communication among members opens channels of direct/indirect opportunities for the business interests. Although every new comer has to prove himself as a reliable person, the social networks are not closed or isolated systems. New members can enter, old members can be "expelled". Hostilities and old rivalries can divide and cut social and business contacts. Second, there are secular associations with modern aspirations such as chambers of architects and engineers, and the Rotary and Lions Clubs where businessmen mix with other locals and professionals. In Gaziantep and Kayseri these were formed by small and large businessmen together with senior bureaucrats and professionals. They

were very interested in local business matters and the improvement of social and local services. Third, there are religious charities. They are formed by businessmen and other locals who believe orthodox Islam.

7.3 GENDER RELATIONS AND THE POSITION OF WOMEN IN SMALL BUSINESSES

The importance of women in the labour force has a social significance, implying changes in attitudes towards the roles of women in Turkish society. These changes are indicative of a growing liberalization in traditional views and ways of life. Women's participation in the work force is also directly related to the level of urbanization. In the present survey women represent a very small direct involvement in small businesses either as employees or employers. Turkish women in urban areas have low levels of labour force participation although they have long been employed in agricultural work in rural areas. In addition, gender segregation of jobs has blocked certain jobs to women. Manufacturing of machine parts and wholesaling of foodstuffs and consumer durable retailing are certainly among these sex-typed jobs which have been entirely dominated by males in the case study areas.

The increasing education of women and modern aspirations have encouraged more female involvement in economic and social activities. However, at the same time, the social structure of families and the tight social networks of medium-sized cities have not encouraged this process. Traditional values, which serve to prevent women from working outside home, are still strong. Where the male unemployment is high and men are still considered as bread winners, employment of women appears less important and desirable. Additionally, there are cultural and religious values and family considerations which influence female employment. For example, female family members are subject to the honour of males in their family. Working women are a threat to the honour of men. These issues are not specific to Turkey but widely observed in different cultures (Watkins, 1982; Josephides, 1988; Chant 1991).

The idea that the proper place of women is in the home has long been a traditional belief in Turkey as indeed elsewhere. Moving from traditional peasant farming, where women have always worked and are involved in various kinds of cottage industries, towards urban life, changes women's role in economic activities. Moreover, men's status is thought to be diminished if women work for outsiders. The most conservative approach towards female participation in economic and social life comes from Kayseri, a city which is notorious for its orthodox religious and conservative background. This city, ironically, has a series of remarkable architectural monuments and foundations built by and in the name of noble women during the Selçuk Turks from 12-13 century².

7.3.1 Gender relations and small business ownership

Statistical data analysis from the survey indicates that there is a male domination in small businesses. Among 216 cases, only three firms have female business owners and all of them are professional women in the construction sector. In terms of business partnership there are more cases of male-female combinations. In 9 firms (4.2%), 8 of them in the construction sector, women are business partners and actively involved in business matters particularly in the construction sector. In addition, there are some cases of limited partnership where wives, daughters and sisters are declared as business partners. In some of these cases women's dowry or savings are used for the business but women are often excluded or have a weak voice in business deals and decisions (see Case A3). This low rate of female entrepreneurship in small firms is also observed in other studies (Watkins 1982; Lewis and Williams, 1987). However, the number of female entrepreneurs is found to be sensitive to the type of business and it tends to increase in service and some commercial sectors in advanced countries (Shapero, 1975; Scase and Goffee, 1982; Watkins and Watkins, 1984). Wicker and King (1989) show that in new

²) One of the best known of these is the Döner Kümbet (turning conical tomb) of Sah Cihan (Ruler of the Universe) Hatun, a Selçuk Princess, in Kayseri. There is also a complex of buildings which was built under the auspices of Mahperi (Moon Fairy) Hatun, a Selçuk queen (Davis, F., 1986; pp. 217).

retail and service establishments in the US, partnerships were most likely to include a man and a women (53%). But we are unable to compare the findings of this survey across various small firm sectors in Turkey due to a lack of wider research in this field.

Case A3 (009-11) Gaziantep: Consumer durable retailer Mr. Geylani decided to change the partnership structure of his firm in order to guarantee his assets. He got a new business partner but also declared his wife and daughter as partners. Mrs. Geylani had no control over business decisions except some conversations over business deals with her husband. She complained about the daily routine of being a housewife even though her children were grown up. She wanted to work somewhere but her husband did not want her to do so because in his view their well-known and old family name would have been undermined.

Business owners are mostly married, as social norms regard marriage as an important social identification. The owners of 195 firms (90.2%) are married. Among women entrepreneurs there is one divorcee and one single person. The occupation of female spouses is declared as a housewife in 165 firms (84.6%). As far as other female family members and relatives are concerned, there are low participation rates by women. The occupational status of the mother of the entrepreneur is housewife in 162 firms (75.0%). Other occupations are agriculture in 40 firms (18.5%), service and professional jobs in 6 firms (2.8%) and in 6 firms manufacturing, mainly weaving (2.8%). The rate of agricultural employment of mothers indicates a rural family background for business owners. They constitute the first generation of rural migrants where rural values are partly maintained in the urban way of life.

However, there is a significant departure from agricultural jobs in the second generation as a very small number of brothers, sisters and offspring of entrepreneurs were directly involved in agriculture. The occupational distribution among sisters and brothers of business owners show that females are largely housewives. In this analyses job definition is taken as a base since the number of sisters and brothers were not counted. In 142 firms sisters are mainly housewives (65.7%). These working women are employed in service, education and some professional sector jobs such as civil servants, school

teachers, and doctors etc. Sisters working as teachers or civil servants are declared in 31 firms; for brothers this is in 32 firms. Only in these sectors is women's representation found to be close to male counterparts. In 64 firms there are brothers in commerce, in only 3 firms are sisters in commerce. In 48 firms there are brothers in manufacturing, there is no sister working in this sector. In 44 firms there are brothers in professional jobs such as lawyers and doctors; only in 9 firms are there sisters working in this sector. In 7 firms there are brothers working in the construction sector, there is no observation of sisters in this sector. In 10 firms there are brothers in agriculture and 3 firms have sisters in agriculture.

7.3.2 Women's position in small businesses of the case study areas

Female employees constitute a small group in the survey in that women are employed in only 25 firms out of 216 (see Table 7.4). In the case study areas there are four characteristics of the labour market which undermine women's participation in the workforce. These include first, these cities have a huge labour supply of young males; second, male children of low income classes are sent to work in order to learn a business or craft for their future and to contribute to their family income; third, temporary male migration from rural areas creates an extra labour supply in local economies, especially in temporary jobs like those in the construction sector; fourth, there are various traditional and conservative attitudes towards female employment at local and national level; this reinforces traditional, cultural and patriarchal values.

The case studies show that male children as apprentices and male rural-migrants as temporary workers occupy the lowest rank in this labour market and are subject to labour exploitation. In theoretical formulations it is often argued that there is a vertical and horizontal segregation at work places in favour of men, where women are mostly working in lower grade jobs (Cockburn, 1988). However, as seen from the survey data, this is not evident in all sectors. The gender segregation of work is not always disadvantageous for women. In machinery and parts producers and construction firms it is male children and

unqualified migrant workers who have a lower rank of segregation. Moreover, in this very small female workforce, it is the more educated and qualified women who are employed in the labour market rather than poorly educated ones.

- Similarly, the traditional master-apprenticeship relation in workplaces has developed a form of male domination with its own values and morals, especially in certain jobs which have long apprenticeship traditions such as metal works, machinery production and wood products. This is observed in the case study sectors. This has also been noted elsewhere outside, as well as in Turkey (Lewis and Williams, 1987; Çınar et al., 1988a; Ecevit, 1991). For example, a study on small manufacturing firms in Portugal by Lewis and Williams (1987) shows that there is male domination in the manufacture of metal products (83%) and wood products (94%) which were described as sectors dependent on traditional apprenticeship systems.

The most significant finding from the survey data is the relatively high female employment rates in professional and service jobs. This is quite clear in the construction sector in which 20 firms (26.7%) are employing females in their offices. Table 7.4 illustrates that the total number of female employees is 37 and among these there are 28 women with high school and higher education (75.7%). However, although women's participation in the construction sector is high, compared to the other three sectors, it is low in absolute terms. In general, the workforce is young especially in the manufacturing sector where there is widespread child employment, although it also shows a young female workforce (between 18-24 years old). This may be due to single women working before they marry, after which their domestic responsibilities may prevent them from working. Husbands may also oppose their wife's entry into the labour market.

However, there are other forms of female employment observed in selected cities. There is some domestic craft production of women for the market or for the personal needs of the household. This form of production is studied in detail by Aktar (1990) in his work on the small weaving industry in Bursa (Turkey). He points out the extensive involvement of women and children in these forms of household production. However, he also notes

that it is the male head of the family who controls the capital and outside business deals.

This occupational segregation by sex is one of the most marked and persistent phenomenon that characterizes different employment patterns between males and females as indicated in gender studies (Cockburn, 1988; Walby, 1988; Chant, 1991). Patriarchy and cultural elements are observed as mechanisms determining women's position in society as well as in the labour market. The constraints placed on women by their domestic responsibilities make them a distinct form of labour power. However, women are not always an alternative cheap labour. Although dual labour market theories show that women in particular can be seen as a secondary sector workforce, this is not the case in some sectors.

Mediterranean cultures have been typified as ones where the concepts of honour and shame underlie every aspects of social and economic life, and where women's actions are controlled through rigid norms and practices (Josephides, 1988). This characterizes an important aspect in the survey areas and indeed in Turkish society where honour of men, women and entire families is at the very centre of social relations (Dubetsky, 1976). Where a women does go out to work it means first, an open admission that the man cannot support the household himself, and second, that the women are mixing with outsiders. This is not seen as promoting the family honour since adult status for women is related to marriage and motherhood (Kandiyoti, 1980; Ecevit, 1991). However, cultural values and practices are subject to change. This idea has been replaced by a concept that "women can work but only in jobs suitable for women" as the duration of urban residence increases among rural immigrants (Kartal, 1985).

Table 7.4- Distribution of male and female employees among sectors and the levels of education

Case sectors	Number of Firms employing F/M		Num. of F/M employees in this sector/cases		Num. of employees having high sch and more education	
	F	M	F	M	F	M
Consumer Durable	3	34	4	96	2	24
Wholesaling	<i>none</i>	40	<i>none</i>	119	<i>none</i>	34
Manufacturing	2	67	5	793	1	113
Construction	20	75	28	120	25	87
Total number	25	216	37	1128	28	258
TOTAL		216(*)		1165		286
Women (%)	11.6		3.0		9.7	

(*) All firms have males.

F=female, M=male. Data excludes the business owners/managers. Missing values are not included.

7.3.3 Male entrepreneurs and their perspective of women

Male entrepreneurs' perception of women is also important in order to understand the demand side of the female employment patterns. The findings of this survey are also parallel to Ecevit's (1991) observation of restricted pattern of female employment in her Bursa (Turkey) survey. The argument from other studies in the field of gender and this present survey suggest that it is not only customs and the confinement of women to certain industrial activities, but also employers who assign women to particular jobs. Kandiyoti (1980) and Ecevit (1991) indicate that in the industrial sector women workers are concentrated in labour-intensive and low wage industries such as food processing, textiles and clothing in Turkey. In addition, the employment of women in the state sector is considered the most "suitable" for women as clerks, civil servants, teachers, etc. This type of female employment is widespread across different countries as gender studies indicate (Crompton, 1990; Chant, 1991).

It is generally observed that there are contradictory attitudes about women who belong to the business family and social network and those who are outside it. Modern ideas are easily accepted for female outsiders whereas women who are subject to carry honour of their family name are not allowed to participate in all aspects of life alongside men. Their attitudes often have patriarchal elements but more than that there is a deeply possessive and protective sense in their view of females in relation to themselves. This is

parallel to Kartal's research (1985) which shows how men interfere in the style of their wives' dress and behaviour in society. Moreover, there is also a social pressure coming from the views of housewife-females about female employment outside the home. This is also indicated in Ecevit's work as working women and their trade union involvement were disliked by their female neighbours.

While males control business practices and commercial networks in the local market, there is not a similar business network for females. However, at least in theory, many entrepreneurs consider that there should be equal opportunities in work places for both sexes, as seen in the Case A4. In this structure, contradictory attitudes dominate people's behaviours. Individuals intermingle their personal and familial interests with the widely accepted norms of behaviours in their social network (see Case A5). Consequently, many male business owners consider equal opportunity for women in the work place, yet do not attempt to employ them and assert that their particular business is not suitable for employing women.

Case A4 (179-33) Denizli: Mr. Filiz has a very rapidly growing business in Denizli. He produces shoe making machinery. He often travels to Istanbul and abroad in order to get new ideas. He is a technical college graduate and an enthusiast for machine making. He employs a woman accountant and several female workers on temporary basis. He also employs a couple of female apprentices from the technical school in the city. He combines his Islamic belief with secular and modern ideas. Although he has a son he wants his daughter to be a mechanical engineer and take over his firm in the future.

Case A5 (102-23, 111-23, 112-23³) Kayseri: I had an informal discussion with four machinery part producers (male) about women's position in the workforce. Two of them had Islamic fundamentalist beliefs (university graduate and primary school). One had liberal /secular ideas (secondary school graduate), and another conservative/secular (university graduate). They all had similar sizes of businesses on the same industrial estate in Kayseri and were friends of each other. I asked whether they could employ females at their workplace. There appeared three views. Islamic fundamentalists argued that if women are unmarried, if they come from a good family (this has more ethical/moral sense than material) and if they are practicing moslems

³) The owner of this business is also the Chairman of the Artisanal Association of Automotive Repairers in Kayseri.

(particularly covering their hair), then they would be pleased to employ women. The liberal/secular business owner believed that women could do any kind of job like men but the working conditions and social pressures wouldn't allow them to employ a female worker in the workplace. The conservative/secular producer said machinery production and metal working workplaces were not suitable for women workers.

As far as their wives are concerned, another contradiction appears. It was often expressed by entrepreneurs that housewives have a rather relaxed and comfortable life compared to working husbands. They do not have the daily stress of business and they do not know how money is earned. However, they have consumer demands and expectations. In short, businessmen who maintain the traditional "home/work" distinction within the family and business, carry a contradiction between their "male" duties and sexual division of labour. Some even see this as exploitation. This attitude is particularly observed in manufacturing which has harder tasks and daily routine compared to other businesses. However, this study also indicated that small business owners earn enough for their families. Therefore, the wives of these small businessmen do not have to work in order to contribute to the family income, unlike their low income counterparts.

In addition, the highly personalized nature of labour relations in small businesses brings another factor into play for the employment of different sexes. As many employers are male, and they do not advertise job vacancies, most jobs are filled through social contacts of the owner himself or of existing staff. Males appear to have more chances of employment as a result of the male dominated nature of business and paternalistic relations in the case study areas. This situation creates a certain type of barrier for women's entry into employment. As seen in the Case A5, the qualifications of the employee are not given the highest priority. The importance of qualifications, education, and experience of female employment comes after social values and ideologies. This is quite parallel to the way in which workers are employed in small businesses. It is the social values of the society and the business owner, such as trustworthiness as well as moral, ethical and ideological aspects, which often appear as primary criteria for employment. The degree to which this phenomenon occurs varies between types of businesses.

7.3.4 Roles of women in small businesses

Women are weakly integrated in the small business environment as employees or employers. Those who run their business or become partners have a certain difficulty in maintaining their position. However, women who are not directly involved in the business environment still have an effect on the small businesses. They have three very important roles in the survival and income of the businesses. First, they encourage sales and services of businesses as consumers. Second, they may invest their assets and/or dowry into the business of their husband, son, or brother. Third, there is the role of women within the family, kinship and social network of business owners. It is also observed that professional women are actively involved in local affairs and professional associations (such as the chamber of architects). They have roles and leadership positions in environmental and architectural societies, in charities and political organizations in each survey city.

Businesswomen and female partners: Businesswomen in the construction sector experienced certain difficulties in the market. It was unusual for a woman to appear on construction sites and give directions to workers and masters. Miss Yıldız explained: *"Many thought a woman cannot understand construction and building structures as men do. Secondly, they didn't like to take orders from a woman. People are all curious around my office about what I do, who comes in, etc. My family and friends supported me despite the common beliefs concerning female employment "*. It is also hard to establish business contacts and have a respectable position in the market for women among males given their patriarchal attitudes. Ms. Ayhan said she had difficulties as a divorcee: *"If some of my male friends had not helped me I could not have achieved success. It has been hard to get things done. Each time you have to negotiate with many people and consider all sorts of things. Some people do not take you seriously because you are a women without a male"*.

However, married women, and women involved in a family business, have not had

these problems partly due to their family and husband's name in the local market and partly due to a larger business organization and solidarity in the firm. Female members in these firms do not practice every task in the business and they have more office duties than outside activities and business deals.

Women as customers : Women are often at the centre of family consumption. This is a very important factor in the business practices of small firms, particularly for consumer retailers, services and producers. In this survey it was found that for construction and consumer durable retailers women are the target consumers. In the construction sector it is women who have specific ideas about what kind of flat they want to live in, for example as a business owner said, "*We cannot sell the flat if yenge doesn't like it*"⁴. The site of the flat is desired to be close to their social, and familial network. The size of rooms, the sunlight and view are important in their decision, in addition to the cost. Although male members bargain over the price and pay for it, buying a flat or a house can be considered as a female activity since they are the primary users of it. This is not surprising if the proportion of housewives is considered, (as home is a part of the spatial division of gender activities).

A similar tendency is observed for consumer durable retailers. Women are particularly interested in buying a certain type of refrigerator, washing machine, vacuum cleaner, dish washer. However, in some other electrical equipment such as TV, music and video sets, offsprings and both sexes are equally decisive in purchasing. In both cases there is a behaviour of network of consumption among women influenced by the media and advertisements. Women, in their friendship and kinship network, exchange information about their experiences of using a certain brand, discuss the quality and inform each other about recent goods in the market. This affects consumption trends and creates a competitive atmosphere (such as women want to have a particular good since the neighbour or friend has it). Retailers in this sector use particular channels of the female network for

⁴) "*Yenge*" means "brother's wife" in Turkish but it is used as the English use "the missus".

sales, promotions and campaigns mostly directed to women.

Women as investors: Two types of women's involvement in business investment are observed in the survey. First, assets, money or dowry coming from the woman's family is invested by the husband or son. Secondly, marriage may open a channel for inter-family investments in the business. In this case women are not directly involved in the business but they emerge as the connecting point for business partners. A male business owner could set up a firm with his brother-in-law, father-in-law, etc. This could be only in the form of employment. It is often observed that some members of the wife's family or kin can be employed in the firm. In these combinations it is mostly the male members of the family who enter employment and/or partnership relations in the survey of small businesses. These familial and kinship ties are given importance not only in cultural but also in an economic sense. They solve their financial and business problems through wealthy and influential members of the family. They secure personal relationship in the business by relying on trustworthiness and loyalty.

Women as network supporters: Women also appear as strengthening parts of family, kinship and business networks in the social life of the survey cities. The networks of social relations described are gendered and support specific ideologies held within the communities of which women are a part. They play a major role in maintaining the status of certain families and the importance of male heads of these families. Businessmen appear in society not only by themselves but also with their family and particularly with their wives and offspring. The range of social contacts is supported and maintained by women within and beyond the family and kinship groups. There are different patterns and varying degrees of female involvement in the social networks and sub-groups of businessmen. The outcome of these networks are beneficial for business making as they support survival and growth of small firms in different ways, such as money lending, solving a bureaucratic problem of finding an employee.

7.4 POLITICAL, ETHNIC, AND RELIGIOUS ASPECTS OF SMALL FIRMS

Small businesses rely on social niches and communal identities to survive.

Although their business relations cover a large and complex range of relationships in the local and regional market, they exploit social and cultural varieties and different groupings in the society. There is a series of elements affecting market practices of small firms such as kinship ties, religious sects, ethnicity and the city and village origin in the survey cities. Political, religious and ethnic clusters offer many facets and a variety of opportunities for small business owners to exploit. At the same time, small businesses belong to these groupings through the social values and local attachment of the business owner. As is pointed out by Goss (1991), social marginality and entrepreneurial networks are an important parts of small business practices.

7.4.1 Political and professional involvement

The survey results indicted that there were political and social attachments of business owners to varying degrees among sectors. As seen in Table 7.5, the local chambers are very strong elements of business association across all sectors. It is followed by artisanal associations. These have a particularly strong representation among the wholesaling and manufacturing firms. However, there may also be double membership of the chambers and artisanal associations. Professional associations are observed in the construction sector and these are largely local chambers of architects and engineers in the survey cities. The importance of these associations varies.

The chambers of commerce and industry, artisanal and professional associations have always been involved in local political affairs in Turkey. This has been more obvious after the 1980 coup d'etat when civil servants and government officials as well as the trade unions were forbidden to join political parties or to be involved in active politics. Under these conditions the large and small business owners through their own associations were

the most active part of politics until the democratization process of the late 1980s. In these organizations there are always different interest groups and political polarizations among members who support political parties and their candidates.

Table 7.5- Membership of political and business associations by business owners

Associations	Number of firms and percentages (%) in sectors (*)				Sample TOTAL
	Consumer Durable	Wholesaling of foodstuffs	Manufacturing	Construction	
Chambers	30 (88.2)	36 (90.0)	48 (71.6)	63 (84.0)	177 (81.9)
Artisanal assoc.	2 (5.9)	24 (60.0)	42 (62.7)	15 (20.0)	83 (38.4)
Professional ass.	-	2 (5.0)	1 (1.5)	49 (65.3)	52 (24.1)
Active politics	1 (2.9)	2 (5.0)	-	17 (22.7)	20 (9.3)
Charities	7 (20.6)	7 (17.5)	2 (3.0)	9 (12.0)	25 (11.6)
Other	-	3 (7.5)	1 (1.5)	12 (16.0)	16 (7.4)
Total sample	34	40	67	75	216

(*) There are multiple memberships particularly for the chambers and artisanal associations.

Among wealthy and/or influential members of local businesses there are also small business owners. In this survey, active political attachment is found among 20 firm owners out of 216 (9.3%). These were members of political parties and/or appeared as a candidate in the local and national elections. They are mostly university graduates (see Case A6). There is also indirect political involvement which is not clearly presented in the data. Sometimes this involves working for a particular candidate or having a position in the local sections of parties (Case A7). It is basically the construction sector, largely as a result of the higher level of professional and graduate status, where 17 out of 20 cases of political attachment were observed. Among the sectors, manufacturing has the lowest involvement. Manufacturers often expressed their low confidence in party politics and government policies in the survey. They argued that manufacturing tasks were hard and revenues were low. They had many problems, but there was no adequate government policy for solving them. It was also expressed that manufacturers had no time for involvement. Additionally, their spatial segregation in small industry sites made it difficult to keep in touch with other activities on a daily bases in the survey cities.

Among the survey cities, Gaziantep has the highest political activism (10 firms out of 74, 13.5%). It is followed by Kayseri (6 firms out of 67, 8.9%). Whereas Denizli has

the least involvement with only 4 firms out of 75 cases in this city (5.3%). Sample sizes are too small to be definitive, but these differences may indicate the contrasts in the organizational structures of chambers and their leading groups.

Case A6 (009-11) Gaziantep: Mr Geylani was the chairman of the chamber of commerce in Gaziantep. He helped his old friend Mr. Baltacı, also a businessman, to be elected in the general elections from an opposition party (DYP-The True Path Party). This was not hidden, as they often appeared in public together with party politicians. The chairman of the chamber of industry was from the governing party (ANAP-The Motherland Party). There were also personal conflicts between these two chairmen. These political and personal conflicts were more aggravated among businessmen and became the initial source of splitting up of the chamber of Gaziantep into two chambers, commerce and industry, in 1990.

Case A7 (133-24) Kayseri: Mr.Yıldız is an engineer running his own small construction firm. He employs only one designer. But he is the local assembly member of the Social Democrat Populist Party (SHP) as he has been involved in politics throughout his university education.

7.4.2 Ethnic origin and religious sects

The existence of a clear boundary of work and specialization of businesses according to the ethnic origin and religion could not be identified in the survey cities. However, the ethnic origin and religion of an entrepreneur plays an important role in small business relations. Business relations are often reinforced by these sectarian affiliations. First, they have a unifying function on social networks of businesses in the local market. Second, they are a part of the employer-employee relationship. The field survey did not bring a comprehensive and systematic coverage of ethnic and religious elements due to difficulty of collecting this kind of information. However, the survey has brought some aspects of ethnic and religious factors in small business practices. There is a lack of further research in this field.

Two Kurdish wholesalers of foodstuffs are identified in Gaziantep. They were serving mainly Kurdish towns and villages. They use their kinship and friendship ties as well as the ethnic origin. They have been more successful in getting into these towns as

they use the Kurdish language (Case A8). They emigrated from eastern towns to Gaziantep as a result of ethnic unrest and economic deprivation in their home town. It is often expressed by wholesalers that there has been an increase in the numbers of wholesalers of foodstuffs as a result of migration from eastern towns. The ethnic advantage of Kurds was remarked on by other wholesalers in the city of Gaziantep. As local informants pointed out, there has been a growing separation of the market among Kurdish and Turkish wholesalers in Gaziantep. Non-Kurdish firms serving the Kurdish towns have had to start employing Kurdish-speaking salesmen in order to compete.

Case A8 (012-12) Gaziantep: A Kurdish wholesaler describes: " *We do not lose any money in the east. We get payments regularly because we have contacts and friends. Therefore, Gaziantep wholesalers cannot easily get into our market. It is more risky for them.*"

Religious sects become another common ground for business and social solidarity. *Alevi* workers expressed it that they were treated badly by orthodox *Sunni* businessmen in Kayseri. The same concern were expressed by agnostics and secular people because religious practices, particularly Friday praying, were found to be important in local markets. Individuals know each other in their street and industrial site. People who do not join praying are easily marked and condemned in some circles. The praying is a kind of public show that the business owner is a good believer. It is also seen as a symbol of his respect for traditions and customs by his colleagues and customers. In all survey cities, but particularly in Kayseri, Friday praying is a common practice among small businessmen. It appears that the religious practices of this particular day of the week reinforce ties between workers and employers as they join the praying together. Employers use this as an opportunity to exert influence over workers. In some circumstances, acts which do not fit conformity are punished (Case A9). Local informants indicated that religious charities, formed among believers of different sects of Islam, offer solidarity and support to their members (Case A10).

Case A9 Kayseri: Mr. Çaykiran is an Alevi master worker who doesn't go to Friday prayer. He had to change his job once because his employer and working friends couldn't tolerate his refusal not to join them for the Friday praying.

Case A10 (199-33) Denizli: Mr. H. Dalyan was the chairman of metal working artisans in Denizli. He had two separate workshops in a small industry site. One was run by his partner. Mr. Dalyan expressed that he was the chief "hoca" (religious teacher) of a certain group of prayers and gave religious courses to young students. (This appears odd while there are many unskilled and poorly educated youngsters in the city).

7.5 SOLIDARITY AND SOCIAL NETWORK AS AN INERTIA

Small business networking can create a successful and competitive small firm sector by helping to overcome the managerial and institutional weaknesses of a small firm within a wider supportive environment. In the small firm literature, networks are related to the economic success of small firms. Small business networks as part of flexible specialization are highlighted as part of the basis for innovative and successful small firms in different countries, particularly Third Italy. In this context, increasing specialization in small market niches has tended to encourage inter-dependency between firms in the value added chain. In order to meet the pressures of these new circumstances, the small firm will depend on the nature and number of its links to other firms (Lazerson, 1990; Szarka, 1990).

However, in this survey we will argue that some aspects of the network relations also bring an inertia over small business growth, innovativeness, and local economic development. We expected firms in close proximity to undertake joint projects leading to mutual dependency and growth in their market share. But the bonds of the exchange network among the trading partners are found to be weak and lacking in long term market interests and mutual trust. Economic links are heavily constrained by social and solidarity networks and hence lack continuity, stability and innovation. Since business owners and family often lack strategic management abilities and knowledge to foresee long term interest in the business this is a brake on business, growth and development. Another issue is the economic problems and high inflation rates which create a low level of confidence and an

insecure environment for business owners in the absence of organizational support. The lack of a supportive institutional framework in local markets is also observed as an important barrier for successful networking relations.

For employment and market information, contact networks are based on inter-personal relations in small businesses. Conservative and traditional ideas still appear strong despite the diffusion of modern values. Aksit (1985) suggests that cultural and social institutions which carry out the modern, secular and urban values could not sufficiently develop and diffuse in Turkish society. The slow rate of industrialisation and the development of modern sector employment in urban areas has failed to absorb the massive flows of rural migrants. Weak modern institutions and poor educational backgrounds encourage the maintenance of traditional values and create a conservative environment in small towns. In this environment, kinship, family and friendship networks may be seen to impose uniform behaviour upon individuals since common practices appear as symbols of solidarity. Personal and social links can also preserve inertia and conservatism in business practices. Some entrepreneurs complained about "narrow-minded" and "conservative" attitudes among their business colleagues. The technological choices and the management of the firm was not given high priorities.

SMEs are using sectarian affiliations to satisfy their social and economic need for survival. It is the business owner who is constructing a network for himself and his business. These contacts and affiliations are also used when a new business is formed or investment is diversified. The business itself bring new contacts and social interaction. In the highly personalized atmosphere of SMEs, the business evolves in the daily life and political and social affiliations of its employers and employees. As this survey shows, these are not marginal to the SMEs but they are articulated in every part of the business and its human relations within the firm. It is thus hard to locate the boundaries between diversified social interactions and business networks.

Modernization and innovative change among entrepreneurs remain as difficult and risky adventures for many small capital owners. As is often expressed: "*we do not enter a*

business that we do not know. We saw how these people perished in the market". Family members and friends are highly involved in the business practices on an informal basis. Consequently, there are family considerations, fear of losing wealth, and traditional values which work against undertaking risky prospects. As the business owner relies on social niches such as family, friends and religion, *hemserilik* and ethnicity s/he becomes dependent upon the value systems and traditions. Competition, innovation and institutional organization enter this structure rather slowly because business owners and/or the family control the management and they are reluctant to give responsibility to outsiders. This phenomenon is not unique to Turkey, similar reluctance is observed among UK family firms by Goffee and Scase (1985) and by many others. Utilization of external social networks compensates for the low education and skill of the business owners. Therefore, social networks and sectarian affiliations are, on the one hand, offering opportunities for the survival, but on the other hand, they block the innovation of small firms.

7.6 CONCLUSION

This chapter has assessed the "anthropology" of SMEs. It has concluded that small businesses are both helped and hindered by the anthropological elements of society. Basic beliefs, and patterns of social and occupational associations are a given structure from the everyday experiences of the business owner. As Bechhofer and Elliott (1981) pointed out, running their own enterprises, small business owners are forced into some awareness of their vulnerability to change. Cultural values of trustworthiness, reliability and loyalty are essential attachments in the day-to-day practices and business relations within the non-institutional and unstructured organization of small firms.

The field survey has indicated that family involvement is crucial in small firms. In many cases the business is intrinsically connected with family pride. First, the survey results indicate that family resources and heritage are crucial sources for the establishment and survival of small firms. Second, small firms create income and employment opportunities for immediate family members and kin. They also encourage the

development of skills and entrepreneurial ambitions among youngsters. Third, small businesses reflect a high degree of gender segregation of work. Women are largely excluded from small business ownership as well as employment. However, there is an increasing number of women university graduate professionals entering small businesses alongside their spouses, particularly in the construction sector. As seen in the gender divisions in small firms, local traditional beliefs and customs affect small business practices. Fourth, there are ethnic and religious factors which determine the structure of business relations. Employment recruitment and customer relations are based on these ethnic, social and primordial relations. Hence, despite the ethnic and socio-cultural differences of the survey cities, underlying anthropological structures are observed to have similar effects on small business practices in each case study area.

Business networks are mainly governed by social and solidarity networks in the survey areas. Friendship and kin ties together with common values and interests are dominant. These types of networks are found to be very important for internal and external business contacts as well as for dealing with the bureaucracy. Relations of "*hemserilik*", family and kinsmen, religious sects, political and professional affiliations are all important parts of business networks, as they are part of the daily life of the business owners. In conclusion, the empirical evidence in this chapter illustrates that SME formation, survival and growth are not only a matter of business performance and economics, but also relate to how the firm is integrated into the cultural and social associations of its location.

CHAPTER EIGHT

CHARACTERISTICS OF ENTREPRENEURSHIP

8.1 INTRODUCTION

The business owner is at the centre of the highly personal managerial and business relations in small firms. Therefore, the managerial capabilities, education and professional qualification of entrepreneurs are not only important for small firm growth and survival but also for the policy and resource allocation decisions which seek to support the small firm sector in the economy. Many current policies as well as academic research regarding local economic development give particular importance to human capital and entrepreneurial characteristics (Stöhr, 1990; Bennett, 1991). Therefore, the entrepreneurs and entrepreneurial culture of different localities have to be a central concern of studies of small firms.

This chapter focuses on small business entrepreneurs and their peculiarities in the survey areas. Analysing entrepreneurs and their characteristics is particularly important for this thesis because they have been the basic source of information for the survey questionnaire of small firms. There are five hypotheses which will be examined in this chapter. First, we will question the concept of the entrepreneur and entrepreneurial culture in the light of the survey results. Entrepreneurs are often regarded as innovative and progressive elements in both small firm and local economic development studies. Secondly, we will examine whether the entrepreneurial class of small firm owners forms any particular homogeneous set of individuals who come from a specific social class or background.

The third area of investigation will be entrepreneurial characteristics, and the survival of small firms in local markets. In this context, the professional and educational

background of small businessmen will be examined. It is often emphasised that the skills and qualifications of entrepreneurs are important for the survival and growth of small firms and hence for local economic development. The fourth area we will examine is how far there is an innovative and competitive capacity in the structure of small firms. Finally, examination of personal and familial expectations, value systems and aspirations of entrepreneurs will enable us to understand more about the world of the small businessman.

8.2 THE ENTREPRENEUR AND ENTREPRENEURIAL CULTURE

The character of entrepreneurs and the specific characteristics of local societies that encourage entrepreneurship have been highlighted in many small firm and local economic development studies. These have been particularly discussed in the post-Fordist and flexibility debate. But as Burrows (1991) argues, entrepreneurship is a concept as difficult to define as the entrepreneurial culture itself because it is a function of individual, situational and social variables. Entrepreneurship is also geographically uneven. Studies of local economic development have different emphases on entrepreneurship and entrepreneurial culture. There are three groups of approaches. The first group of studies focuses on the importance of individual figures and initiatives analyzing entrepreneurship at the locality level (Stöhr, 1990). The second approach emphasises the importance of human capital and local and regional alliances among actors with entrepreneurs becoming a part of policies of local capacity building (Bennett, 1991). Another approach argues that entrepreneurial characters and local development are outcomes of specific economic conditions and socio-cultural peculiarities of localities. Third Italy has been widely used as an example in that context (Triglia, 1989).

There are numerous studies of the definition and characteristics of entrepreneurship (Lewis 1985; Brock and Evans, 1986; Phizacklea, 1988; Birley, 1989; Hébert and Link 1989; Baumol, 1990). Lewis (1985) argues that a really successful entrepreneur needs to be able to discard traditional inhibitions and moral impediments either by operating in a new medium or in a novel social context. If we take the survival and growth of the small firm

as an indication, this thesis shows that Lewis's definition is not always the most useful for defining these firms that achieve success. On the contrary, entrepreneurs use traditional inhibitions, family and community values in different ways as we analysed in the previous chapter. Under the volatile economic conditions of Turkey and growing market competition, no outsider is trusted. This is often expressed by small firm owners. Thus as Lewis suggests, it becomes natural to rely on the most basic and binding of relationships. Hence the family and kinship relations and friendship networks strengthen entrepreneurial achievements in many small firms.

The term of entrepreneur is often used in a Schumpeterian way without referring the size of firms. This needs to be questioned for small firms and local economic development. The empirical evidence indicates a rather opportunistic and profit seeking type of small firm owner in the survey cities. Hence the term entrepreneur, must be re-defined in this study. By following the definition of Hébert and Link (1989) we identify the entrepreneur as *someone who specializes in taking responsibility for and making judgmental decisions that affect the location, form and use of goods, resources or institutions*.

Baumol (1990) argues that the exercise of entrepreneurship can sometimes be unproductive or even destructive. The productive contribution of the society's entrepreneurial activities varies because of the allocation between productive activities, such as innovation, and largely unproductive activities, such as rent-seeking or organized crime. In fact, many traditional sector activities and backward technologies have survived in local and social niches under ineffective or inadequate government policies for small firms in the survey areas. Similarly, extreme child and immigrant labour exploitation in manufacturing and construction firms, widespread tax evasion and wealth-seeking rather than innovative investments of entrepreneurs put the question of the long-term benefits of local people and the economy in doubt.

Despite these reservations there are also different local cultural elements which facilitate small firm development involving risk-taking profit-seeking individuals. Local

people boast about their skillful master manufacturers and entrepreneurs in Gaziantep. Kayseri has long been considered a city of skillful and cunning entrepreneurs. Although it is hard to prove their entrepreneurial quality there is a relatively large group of rich and famous Kayseri businessmen in Turkey. It is the early orientation of mostly young males which has been influential on small business creation in Kayseri and Gaziantep.

8.2.1 Why entrepreneurs start up a business

There are different motives behind the entrepreneur's decision to start up the business. The most common motives are family influence (24.1%), previous work experience (19%) and a search for independence and profit seeking (18%). These are followed by personal satisfaction and enjoyment, easy and comfortable daily routine (particularly in commercial sectors) and a less competitive atmosphere. However, there are remarkable sectoral variations. In a traditional business, such as the wholesaling of foodstuffs, family influence (45%) comes first, while in modern construction businesses independence and profit seeking appear primary motives (44%). Entrepreneurs who have a university degree particularly expressed this.

In the manufacturing sector, which is largely based on skills acquired through apprenticeship, previous job experience and personal satisfaction are crucial. Interestingly, many manufacturers expressed their enthusiasm for producing machines as a hobby and through curiosity, although their daily routine and tasks were described as heavy and tiring. This is parallel to Dikerdem's (1980) observation among Bursa manufacturers of producer goods. In his survey 49.4% of entrepreneurs pointed out their enthusiasm for producing machines and "to be independent" (15.3%). Only 12.9% of them indicated that economic circumstances were the prime motive.

Contrary to some literature on small firms, entrepreneurs do not enter into the business because they otherwise fear joblessness. Small firm entrepreneurship in the survey areas is not linked to unemployment or redundancy as it is in some advanced countries such as the UK.

However, among small business owners, the cultural experience of business involvement as an apprentice is very important. This serves as a force of socialization of young males into skills and economic activities. Small businesses in different sectors have long been the place of this type of entrepreneurial training and economic orientation in the survey areas. Having one's own business and making a lot of profit have long been dreams of youngsters who work as apprentices in manufacturing and commerce. In recent years, parallel to free market policies and encouragement of entrepreneurialism in Turkey, a new section of small firm owners has developed. They come from a different background: former civil servants, teachers and university graduate professionals. The professional entrepreneurs in this survey belong to this group.

Table 8.1- Entrepreneurs' reasons for choosing the current business

Reasons	Number of firms and percentages by sectors				TOTAL
	Consumer d.	Wholesale	Manufacturing	Construction	
(1) family influence	12 (35.3)	18 (45.0)	14 (20.9)	8 (10.7)	52 (24.1)
(2) previous experience	3 (8.8)	7 (17.5)	18 (26.8)	13 (17.3)	41 (19.0)
(3) independence/profit	-	2 (5.0)	4 (6.0)	33 (44.0)	39 (18.0)
(4) personal satisfaction	-	2 (5.0)	15 (22.4)	10 (13.3)	27 (12.5)
(5) comfort, easy /profit	11 (32.4)	5 (12.5)	-	3(4.0)	19 (8.8)
(6) less competitive	5 (14.7)	-	9 (13.4)	1 (1.3)	15 (6.9)
(7) avoid unemployment	1 (2.9)	2 (5.0)	1 (1.5)	2 (2.7)	6 (2.8)
(8) 3+4	1 (2.9)	-	5 (7.5)	-	6 (2.8)
(9) 1+3	-	3 (7.5)	-	-	3 (1.4)
(10) other and missing	1 (2.9)	1 (2.5)	1 (1.5)	5 (6.7)	8 (3.7)
TOTAL	34 (100)	40 (100)	67 (100)	75 (100)	216 (100)

All small firms in this survey need a certain amount of start-up capital and/or previous involvement and local contacts in order to survive. Starting a business is a rather complicated process and a matter of orientation towards a better life and a search for wealth. This is the differentiating feature between informal sector jobs and small capitalist firms in Turkey. The former are based on a desperate search for jobs as an alternative to unemployment in urban areas whereas the later is a search for opportunities and wealth in order to utilize capital and/or skill.

8.2.2 Initial idea and aspirations

Many entrepreneurs had some expectations throughout despite their constant struggle of survival. Only 0.9% of the entrepreneurs had no initial aspirations. Most of the expectations and initial inspirations are based on concerns about the wealth and living standards of the entrepreneur and his/her family. This is an economic ambition. Table 8.2 illustrates the initial idea and aspirations of entrepreneurs by sectors. Independence and the appeal of "being your own boss" has not been expressed as a prime concern as is argued by some other researchers (Bechhofer and Elliott, 1981; Scase and Goffee, 1982).

Unlike the stereotypical entrepreneur, owners in this sample typically started small and had modest expectations and ambitions. Lack of strong entrepreneurial spirit, particularly among small retail and service businesses, is also observed by other researchers (Kirby, 1986; Wicker and King, 1989). In our survey, the aspiration of having a profitable and big business (17.1%) comes after concerns about the living standards and money (53.2%). The ambition for profitable and big business was largely expressed by manufacturing firms (25.4%) and consumer retailers (23.5%). Respectability related to the profitable business is also an aspiration in the local community where families know each other and reputation is important.

Manufacturers pointed out that their knowledge and previous involvement as an apprentice played a part in entering the business (13.4%). They often expressed that *"it is the job that I knew"* or *"I opened my eyes in the workshop"*. However, the decision to opt for self employment by the entrepreneur is also linked to the alternative possible job opportunities in the local market and expected income from working as an employee. There are not many job opportunities for teenage apprentices. Low salaries and undesirable working conditions encourage skilled people to enter the business. This was particularly expressed by professional businessmen and master craftsmen. Their alternative employment in the government sector was said to be boring and low paid while private sector jobs in large firms have been limited in local markets.

Table 8.2- Initial idea and aspiration of the entrepreneur for entering the business

Initial idea	Number of firms and percentages by sectors				TOTAL
	Consumer d.	Wholesale	Manufacturing	Construction	
(1) living standards	16(47.1)	20(50.0)	31(46.3)	48(64.0)	115 (53.2)
(2) profitable/big business	8 (23.5)	5 (12.5)	17 (25.4)	7 (9.3)	37(17.1)
(3) respectful/profitable	3 (8.8)	5 (12.5)	4 (6.0)	8 (10.7)	20 (9.3)
(4) previously known/liked	1 (2.9)	2 (5.0)	9 (13.4)	4 (5.3)	16 (7.4)
(5) better future for family	3 (8.8)	7 (17.5)	2 (3.0)	3 (4.0)	15 (6.9)
(6) without any expectation	3 (8.8)	1 (2.5)	2 (3.0)	3 (4.0)	9 (4.2)
(7) respectful/liked business	-	-	1 (1.5)	1 (1.3)	2 (0.9)
(8) other	-	-	1 (1.5)	1 (1.3)	2 (0.9)
TOTAL	34(100)	40(100)	67(100)	75(100)	216(100)

(1): Better living standards and to earn more money, (2): To have a profitable and big business, (3): To have public admire and respect and big business, (4): To do a business which was known and liked by the entrepreneur, (5): To provide a better future for family, especially children, (6): Without any particular expectation, (7): To practice a respectable and liked business.

8.2.3 Typology of entrepreneurs

Scase and Goffee (1985) identify four categories of business proprietorship.

These are self-employed, small employers, owner-controllers, and owner directors.

Similar classifications are made by other researchers (Birley, 1989). In our survey these categories cannot easily be grouped due to rapidly changing structure, casual use of labour and unstructured division of tasks between the entrepreneur and other family members. In addition, these classifications do not bring insight into small business entrepreneurship.

However, an analysis of entrepreneurial backgrounds and skills shows that there are several important features. As business owners and shareholders make decisions and carry out major tasks in the small firm, it is crucial to analyse the typology of business owners. The fieldwork revealed four types of entrepreneurial backgrounds which influence the type of small business and also its organizational structure. These are craftsmen, semi-skilled, white-collar, and professionals.

In manufacturing sector firms, craftsmen entrepreneurs constitute a large proportion of the entrepreneurs in the sample without any significant geographical variation. They come from apprenticeship training in local small manufacturing and repairing firms. Until setting up their firm they changed several jobs. They experienced business failures, closures and new set-ups in their early years of the business. They often do not have theoretical knowledge and education in mechanics and technical drawing. However, many

of them have developed skills and knowledge through long working experience. But low educational backgrounds and management skills appear to prevent them from growing and being innovative. Nevertheless, a few talented masters in this category have been successful in local and national markets by rationalization of machinery and labour.

Semi-skilled entrepreneurs who have some education but no particular skill or qualification, are observed largely in commercial firms in the sample. Manufacturing and construction also have some semi-skilled entrepreneurs. They have better education than craftsmen but poorer qualifications and skills for the business. They might previously have worked in a family or a friend's firm and entered the business as self-employed. The low barriers to entry in commercial businesses have created opportunities for them. Having no responsibility in production and distribution, semi-skilled entrepreneurs concentrated in marketing of consumer durable goods and wholesaling foodstuffs through franchise agreements and contracts with large firms.

Entrepreneurs formerly employed in a white-collar job occur in all sectors but are very rare in manufacturing. This group is small in number. Among them there are former civil servants in government offices, teachers and workers. They often have very little business experience. They are channeled into small businesses by the help of family members, kin or business partners. White-collar workers use their personal contacts in local governmental organizations for setting-up and conducting the business. This has been very important to deal with municipalities for the planning and building permissions particularly in construction firms.

Professionals are concentrated in construction. Engineers and architects in this sector draw plans, negotiate with landowners and customers and hire contractors for building. They are open to changes and innovative adaptations and are better informed than craftsmen and other businessmen. There are also very many engineers and graduates of artisan colleges in the manufacturing sector. Similarly, commercial businesses have a small number of university graduate professionals. These professionals have often worked

previously in private and public sector jobs and developed an understanding of various jobs and organizations.

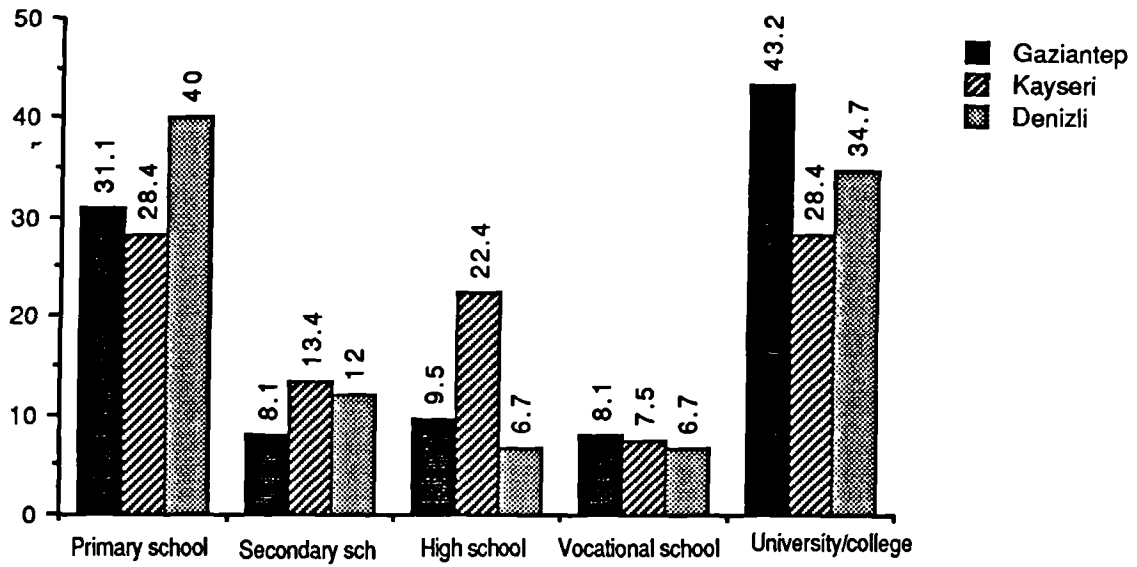
8.3 CHARACTERISTICS OF ENTREPRENEURS

In the case of the small firm, the entrepreneur is much more likely to start a new business than to acquire an existing firm. There are different forms of entrepreneurship across sectors as well as in each sector. There are substantial differences among the characteristics of university graduate civil engineers and traditional contractors in the construction sector. The findings of this research strongly indicate that entrepreneurial characteristics are related to a series of factors. These are education and development of skills, family background, and previous job experience. The empirical research shows that there is a widening gap between traditional and modern small firm structures. The characteristics of entrepreneurship appears to be changing in small businesses by slow diffusion of the better educated to become a new generation entrepreneurs.

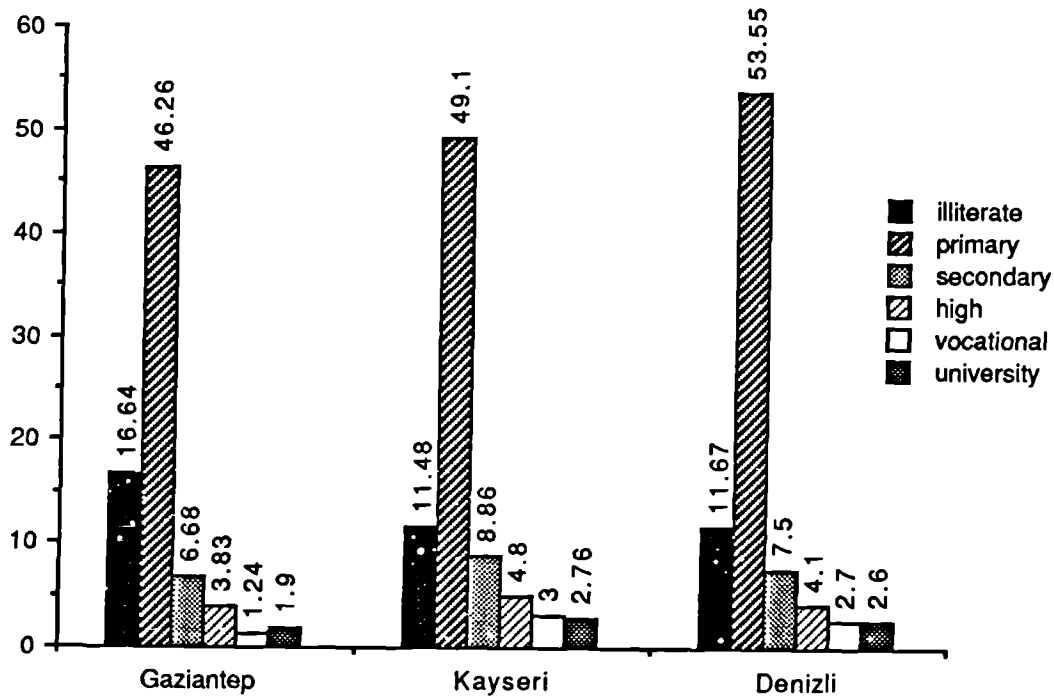
8.3.1 Apprenticeship and educational background

The educational qualification of the entrepreneur provides us with an insight into management and business practices. It also indicates differences among various generations of entrepreneurs. Primary school education is the most common educational background in the survey areas. This represents 70% of total employees in Gaziantep, 58% in Kayseri, and 60.4% in Denizli. Among survey cities Gaziantep, as expected of an eastern city, is behind the other two survey areas in terms of education levels. Kayseri has the best record among the survey cities. In each category of formal education, the percentage of graduates is higher than Gaziantep and Denizli. This result is also consistent with the national statistics. However, the general level of education of entrepreneurs in this survey is better than overall population in their province (see Graph 8.1, 8.2).

Grap 8.1- Education of entrepreneurs by the survey cities



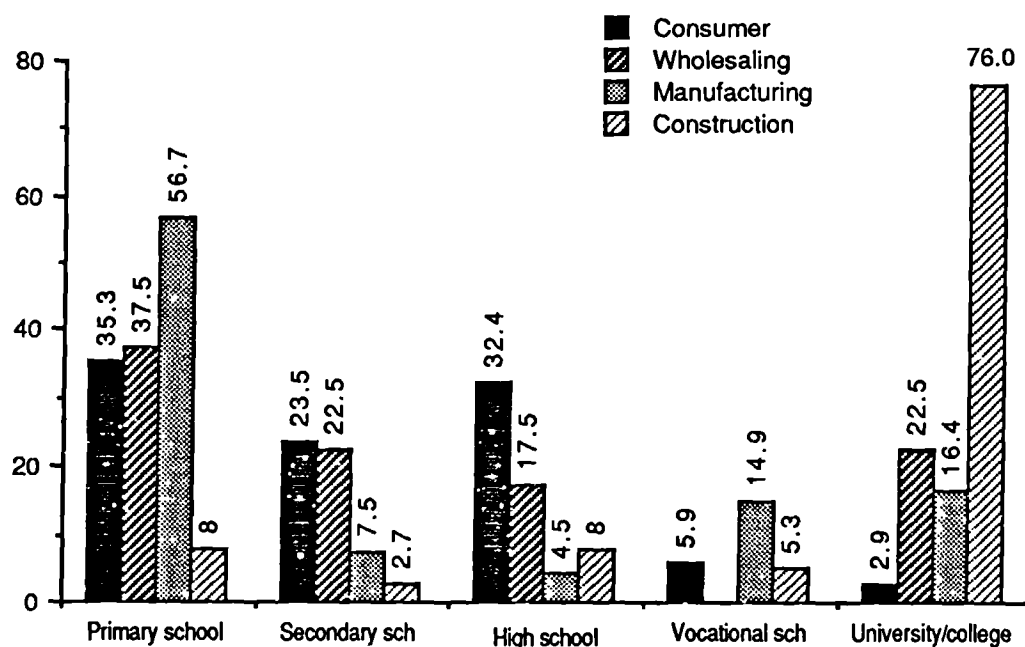
Graph 8.2 Education levels in the survey cities (1985)



Source: SIS- The Census of Population in 1985, Ankara, 1989.

In sectoral composition, university graduates are concentrated in the construction sector (76.0%) while primary and secondary school education has the lowest rate (10.7%) in this sector. Surprisingly, manufacturing has the lowest formal educational records, as 64.2 % of entrepreneurs have only primary and secondary school education. Even the graduates of vocational and technical colleges form a relatively small proportion in this sector (14.9%). There is an obvious gap between entrepreneurs who come from a traditional apprenticeship with little education and those with college and university education. In consumer durable retailing, the primary and secondary education are dominant (58.8%). It is followed by high school graduates (32.4%). The proportion of university graduates is very small 2.9% in this sector (see Graph 8.3). Among wholesalers there is a spread of backgrounds: primary school (37.5%), secondary school (22.5%), high school (17.5%) and university (22.5%).

Graph 8.3- Education of entrepreneurs by the survey sectors



The skills of entrepreneurs are more important in the manufacturing sector than the other sectors as the production system is directly controlled by the entrepreneur himself. The traditional apprenticeship has been the basic qualification for many entrepreneurs in

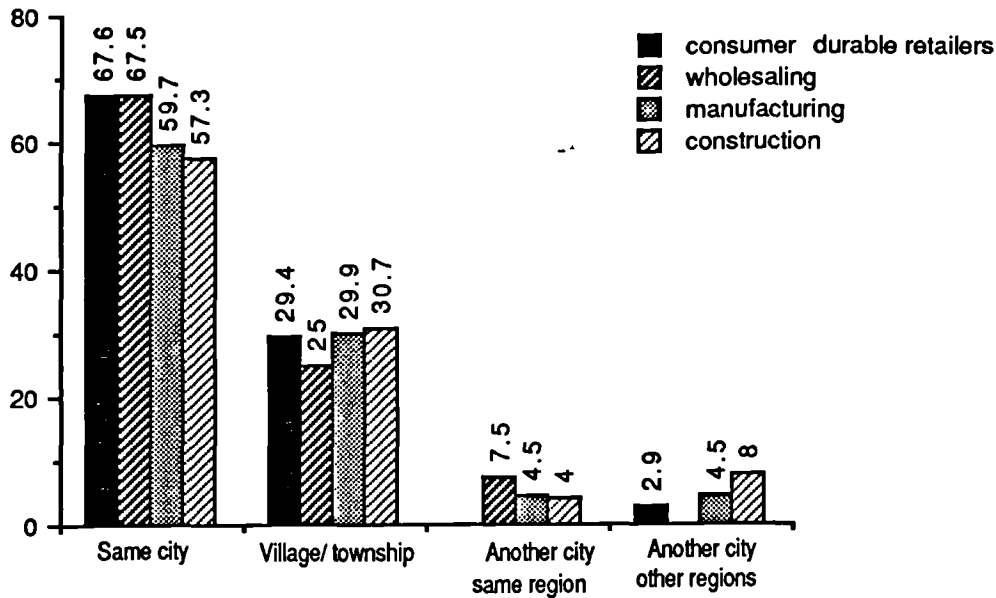
this sector. The low level educational backgrounds and the apprenticeship tradition among manufacturers in this survey is parallel to the findings of other researchers in Turkey (Dikerdem, 1980; Aktar 1990; Ayata, 1991). Aktar's study shows that almost 60 % of Bursa's entrepreneurs in weaving had only primary school education and they started working as apprentices in their youth. Low educational backgrounds and a strong apprenticeship tradition are observed in other Southern European countries (Lewis and Williams, 1987; Amin, 1989a).

Entrepreneurs in the construction sector have the highest educational qualifications in all survey areas. This is due to increasing involvement of professional architects and engineers in small businesses. There is also an increasing emphasis towards technological changes and quality. In commercial sector firms, business contacts and experience in the market are more important than education and professional qualifications. For commercial businesses, the required skills are lower and can be gained by practice in the local market. For example, a young wholesaler starts working with his father and takes over the firm or sets up a similar firm when he learns the business and develops contacts in the local market.

8.3.2 Birth places and family background of entrepreneurs

Sample entrepreneurs are largely in the 25-45 age category (see Appendix D.1). More than half of them were born in the same city where their business is. The birth place of entrepreneurs in wholesaling was indicated as the same city in 67.6% firms. It is 67.5% for consumer durable retailers. There is a sizeable group of entrepreneurs who were born in the villages and townships of the survey city in all sectors (30.7% in construction, 29.9% in manufacturing, 29.4% in consumer durable retailing, and 25% in wholesaling). These came from rural families of small and medium sized land owning peasants. Education and/or job opportunities in cities have attracted young men from rural families. Sons of these families diverted their occupation into urban trade. They entered certain businesses alongside market niches (see Graph 8.4).

Graph 8.4- Birth places of entrepreneurs in the survey



The percentage of birth places in another city of the same region is 4.5% for manufacturing and 4.0% for construction. There is a relatively large group of entrepreneurs who were born in another region and city (8.0%) in the construction sector. This spatial variation has been through university education for professionals who were mostly educated in big cities. For others it has been through skills and experience from apprenticeships, as rural immigrants and peasants send their children to workshops in order to help them obtain a job.

Although birth places of entrepreneurs indicate a geographical mobility within the province among townships, nearby villages and the capital city, the survey firms are dominated by indigenous entrepreneurs. This indicates that there is not much intra-city and inter-regional movement of small entrepreneurial capital. Despite having moved through education, military service and temporary jobs to other parts of the country and abroad, entrepreneurs tend to return and set up their firms in their birth places. Indigenous entrepreneurs dominate the local markets. This contrasts with other studies in western Turkey which show a large variety of birth places of entrepreneurs due to ethnic origins and mass migration from former Ottoman provinces (Dikerdem, 1980; Aktar, 1990). For

example, Dikerdem (1980) indicates that 30% of small business owners in his Bursa survey were born in a Balkan country (Greece, Bulgaria and Yugoslavia).

The social class of entrepreneurs has been analysed by use of the occupation of parents. As seen in Table 8.3, entrepreneurs' family backgrounds vary from rural-agriculture, to urban-professional sectors. Fathers' occupation appears more important, as mothers are often housewives. There is a certain association between the sector of fathers' occupation and the current sector of the entrepreneur. This tendency is very strong in wholesaling firms and among consumer durable retailers. Almost half of the entrepreneurs of these commercial sectors have merchant fathers. In a traditional sector, such as wholesaling, this rate is 52.5%. Similarly, one third of manufacturing entrepreneurs have manufacturing fathers. In addition, the manufacturing sector has a large proportion of ex-workers who come from a working class background. In the construction sector families of urban middle-class professionals and civil servants are an important source of professional engineers and architects (36%). As education provides mobility to different social groups, children of peasant families have a significant share in the construction sector.

Data analyses indicate a strong relationship between family background and the current sector of the business. However, the variety of social backgrounds, as seen in the occupation of entrepreneurs, also shows that small business owners do not come from one specific social class. *Instead entrepreneurship has roots widely among the rural peasantry and the aristocracy, among the working class and artisans, and in the urban middle classes.* Each background facilitates or channels the entry into a particular small business through different social networks. Chi-square tests show that there is a statistically significant association between the occupation of entrepreneur's father and his/her current business. Cell residuals show that construction sector entrepreneurs are associated with civil servant fathers ($z=3.9$). Entrepreneurs in commercial sectors are associated with fathers engaged in commerce ($z=3.9$). Similarly, manufacturing entrepreneurs are highly associated with manufacturer fathers ($z=4.1$).

Table 8.3- Profession of parents of the Entrepreneurs

Profession	Consumer d.		Wholesale		Manufacturing		Construction		Father TOTAL F %
	F	M	F	M	F	M	F	M	
commerce	41.2	-	52.5	-	11.9	-	18.7	-	57(26.4)
agriculture	17.6	17.6	20.0	27.5	25.4	16.4	22.7	16.0	48(22.2)
manufacturing	14.7	-	10.0	5.0	31.3	4.5	8.0	1.3	36(16.6)
teacher/civil ser	11.8	-	2.5	-	9.0	3.0	21.3	1.3	27(12.5)
professional	2.9	-	2.5	-	7.5	1.5	14.7	1.3	18(8.3)
construction	2.9	-	2.5	-	1.5	-	13.3	-	13(6.0)
shareholder	2.9	-	10.0	-	6.0	-	-	-	9(4.2)
other	5.9	-	-	-	6.0	1.5	1.3	1.3	8(3.7)
housewife	-	79.4	-	67.5	-	73.1	-	78.7	-
	100	100	100	100	100	100	100	100	100

8.3.3 Previous job experience

The sample entrepreneurs had various business experiences prior to the current one. There appears to be a constant search among entrepreneurs with frequent business changes, as well as the introduction of new goods and services. Although a small proportion of entrepreneurs have experienced several sectoral changes in their previous businesses or employment, we observe that most of them continue similar work to their earlier experiences. The entrepreneurs studied tend to seek business opportunities strongly focused in the local market. This is observed in previous job experiences and current expectations of the entrepreneurs. There are different patterns of business experiences in each sector depending on education and family background of the entrepreneur. Life stories and changes in the pattern of businesses indicate that entrepreneurs are in a continuous process of search for better business opportunities.

Many entrepreneurs, particularly those in manufacturing and construction, are former employees of other companies. Most of them developed their skills in small firms but some have in larger public and private companies. Low satisfaction, business failures or new opportunities motivated them to change their occupation or business. There are also personal and familial reasons such as marriages, death of father and unexpected changes which affect business formation, such as inheritance or divorce. One third of the entrepreneurs (29.1%) had one, 34.6% had two, and 20.1% had three jobs before they set

up the current firm. Casual employment is not counted in these figures. Four and more job changes account for 11.5% of experiences. In almost all sectors the combination is similar, but the entrepreneurs in manufacturing have a larger number of job changes over the time. One third of entrepreneurs in this sector had three job experiences before the current one. Entrepreneurs working in the family business or entering in already established firms are less likely to have many job changes. Job changes are also a function of the age of the entrepreneur. Young entrepreneurs are less likely to have had many business changes (see Appendix D.2).

The first job experience of the entrepreneur indicates three ways of entry (see Table D.2). First, they set up their own business (31.0%). Second, they start working within the firm of a family member or form a partnership (31.0%). Third, they obtain a job in a private sector firm, mostly in small businesses (28.2%). Public sector employment is not very common (5.1%).

However, there are some sectoral differences. Self-employment is widely observed in the construction sector; 49.3% of sample entrepreneurs in this sector set up their own firm as the first business experience. This is followed by shareholding and family businesses (26.7%). In the manufacturing sector, many entrepreneurs are ex-employees in this sector. 49.3% of them worked largely in small firms as apprentices and 25.4% had their work experience in a family firm. In commercial sectors, 41.2% of wholesalers and 40.0% of consumer retailers had their first experience in the family firm or by shareholding with brothers or friends. These results indicate that in manufacturing entrepreneurs had to develop skills through apprenticeship or work experience.

As far as the sector of the first job is concerned, it is observed that most entrepreneurs develop their work experience in the same sector (see Table D.3). As other studies also suggest (Birley, 1989; Dunkelberg and Cooper, 1990) many entrepreneurs dealt with the same products and customers as in their previous jobs. This clearly reduces the cost of establishing relationships with customers and suppliers. Manufacturing is the most significant as 71.6% of the entrepreneurs had their first working experience in this

sector. There are entrepreneurs who are involved in a family business or partnerships in other sectors. For example 20.6% of wholesalers and 12.5% of consumer retailers had their first job in the manufacturing sector, mostly in cottage industries in rural areas. Professional entrepreneurs in the construction sector worked in various service and planning businesses after their education.

The locations of these first jobs were mostly in the current city (76.5%), the townships of the same city and other cities and regions were equally represented. However, more than one third of professionals in the construction sector have been in one of the three big metropolises (Istanbul, Ankara, Izmir) mainly as a result of university education. The duration of this first job experience is between 2-10 years. But in the construction sector it is shorter as engineers worked in construction sites and private offices on a temporary basis and developed their knowledge of the market more quickly than other sectors.

In general, entrepreneurs are more likely to set up their own business after their first working experience. This is particularly so in the commercial and construction sectors. Entrepreneurs in the manufacturing sector had a second job experience largely in private sector firms (25.4%). Among construction firms, employment in private companies and public institutions appear important in the process of entrepreneurial development. In this sector 20 out of 75 (26.7%) entrepreneurs worked in private, and 13.3% in public sector firms in their second job experiences. Municipalities and government institutions have been places where entrepreneurs developed their work experience and social networks.

The second occupation in 50.7% of case for sample manufacturers was also manufacturing (see Table D.5). Entrepreneurs in the construction sector have had various jobs. However, professional jobs are the most common (33.3%). Professionals in the construction sector have higher spatial mobility than other sectors. 29.3% of them were in one of the three big metropolises and 14.7% in another city and region. Similarly, 11.9% of manufacturers had also been in the large cities.

Third and fourth work experiences are common in construction (54.6%) and manufacturing (32.8%). Self-employment and private sector jobs are the most common occupations. Entrepreneurs' third and fourth occupations are similar to their current business. The locations of their occupation have been mostly in the current city. However, there were entrepreneurs who had been in other cities of the country. Some have been in western Europe (mostly in Germany) as guest workers or for education. In the construction sector, 3 entrepreneurs (2 in Gaziantep, 1 in Denizli) had their higher education abroad (Austria and Germany). There are two entrepreneurs (Gaziantep, Denizli) in this sector who went to Arab and Gulf countries and worked for big Turkish companies.

8.3.4 Importance of locality

Entrepreneurs are attached to their current locality by their family links and background. The question : "Why did you set up your business in this city" surprised many of them. The answer was usually "I was born here. This is my homeland, (*memleketim*)". However, beyond this immediate response of the entrepreneur, the analysis shows that there are deeper business interests and family concerns associated with the birth place. For immigrants from small towns of the province, it was equally important to be in the city of their township. The family links, friends and the properties in the town made township people feel members of the city. To obtain credibility in the market, to get into the business and social environment are all regarded as time consuming and difficult if there is no help and guidance from business friends and relatives.

As Table 8.4 illustrates, the choice of business location is based on feelings and social advantages rather than rational comparison of the possible locations by a rational entrepreneur. Only 6.5% of sample entrepreneurs pointed to business opportunities as the prime reason for setting up the business in the current city. Family links and the social environment are the strongest influences over locational choice. There is strong family pressure as family members want to be close to each other. Most believe that adult children ought to be responsible for their elderly parents and young siblings in Turkish society. The

notion of homeland (*memleket*) is strong among the elderly as they traditionally want to die where they were born. Some entrepreneurs showed this to be a reason for their locational choice, although they had initially wanted to move into big cities.

However, a proportion of them worked and lived in different cities and townships in a certain period of their life. We observe that the importance of family bonds and homeland are relatively weak among professionals (44%). These are gradually being replaced by friendship relations and social contacts (17.3%). In addition, marriages and business assignments influence locational preferences in this sector. Many professionals were educated and worked in large urban centres. Entrepreneurs visited their relatives and friends in Istanbul, Ankara or elsewhere and travelled abroad. They often have business friends and relatives in important business centres of the country and relatives abroad, largely in western Europe. All these indicate that entrepreneurs are not isolated in their localities but prefer to remain there. It is their city of development which offers advantages for the business formation and survival.

Table 8.4- The reasons of setting up the business in the current city

Reasons	Number of firms and percentages by sectors				TOTAL
	Consumer d.	Wholesale	Manufacturing	Construction	
brought up/family	17 (50.0)	20 (50.0)	37 (55.2)	33 (44.0)	107(49.5)
family+social env.	7 (20.6)	10 (25.0)	8 (11.9)	10 (13.3)	35 (16.2)
social environment	2 (5.9)	1 (2.5)	7 (10.4)	13 (17.3)	23 (10.6)
family pressure	2 (5.9)	3 (7.5)	3 (4.5)	7 (9.3)	15 (6.9)
business opportunities	4 (11.8)	3 (7.5)	4 (6.0)	3 (4.0)	14 (6.5)
marriage/assignment	1 (2.9)	1 (2.5)	3 (4.5)	6 (8.0)	11 (5.1)
other and missing	1 (2.9)	2 (5.0)	5 (7.5)	3 (4.0)	11 (5.1)
TOTAL	34(100)	40(100)	67(100)	75(100)	216

8.4 SURVIVAL AND SMALL BUSINESS ENTREPRENEURSHIP

8.4.1 Survival and satisfaction of the entrepreneur

Small business owners are in a continuous search for new opportunities. This is not only because of their insecurity in their current business or market changes, but also because they seek new opportunities and greater profit. Survival is a day-to-day practice

for small firm owners. Personal contacts, friendships, and business credibility are important in dealing with geographically spread business contacts. There are also interactions among localities via personal mobility and contacts of entrepreneurs through friendship and family relations but also business deals. The contribution of artisanal associations and chambers are significant in this geographic interaction. However, it was not possible to measure the strength and effect of these types of interactions. Nevertheless, case studies and anecdotes indicate that there are different forms of support which occur in complex interactions across regions and businesses (see Cases: B1, B2, B3).

Case B1 (007-11) Gaziantep: Mr. Akkan, who runs a consumer durable retail shop, was introduced to his current business by a friend in Istanbul. His friend helped him during early establishment.

Case B2 (179-33) Denizli: *'when I cannot solve a problem at work or I get frustrated here, I go to visit my friends in Istanbul. I get their help. I see new things and ideas and come back.'*

Case B3 (101-23) Kayseri: Mr. Sabancı and his brother produce machinery and parts for motor vehicles. Other brothers run a manufacturing and trade company in Istanbul. Mr Sabancı and his brother are selling and marketing their products in Turkey and the Middle East through their brothers' company in Istanbul.

In general, half of the entrepreneurs are satisfied with their current business (see Table 8.5). Satisfaction of the entrepreneur varies among sectors. Partial satisfaction is observed in many firms. They did not find all that they expected and have decided to continue only until a new business is formed. The lowest satisfaction is observed among wholesalers (35%). As competition from big marketing and producing companies grows, these firms have to form new business strategies. The competitive advantage of traditional wholesaling has been disappearing. This is also occurring in the manufacturing sector in which many entrepreneurs complained about financial difficulties, hard tasks and low priorities of government policies. 44.8% of entrepreneurs are satisfied in the manufacturing business. The construction sector had a boom during the late 1980s and many independent small businesses enjoyed expanding opportunities in local markets.

66.7% of sample entrepreneurs in this sector are satisfied with their business.

Interestingly, Chi-square tests show that the business satisfaction of entrepreneurs was independent of profits between 1985-90. These results are also affected by the political expectations of the entrepreneur by the government.

Table 8.5- Satisfaction of the entrepreneur at the current business

Satisfaction level	Number of firms and percentages by sectors				TOTAL
	Consumer d.	Wholesale	Manufacturing	Construction	
satisfied	17 (50.0)	14 (35.0)	30 (44.8)	50 (66.7)	111 (51.4)
partly satisfied	7 (20.6)	11 (27.5)	19 (28.4)	9 (12.0)	46 (21.3)
not as expected	8 (23.5)	8 (20.0)	11 (16.4)	8 (10.7)	35 (16.2)
not satisfied	2 (5.9)	7 (17.5)	7 (10.4)	6 (8.0)	22 (10.2)
missing	-	-	2 (2.7)	2 (0.9)	4 (1.8)
TOTAL	34 (100)	40 (100)	67 (100)	75 (100)	216 (100)

There are psychological costs associated with small firm ownership. These affect satisfaction levels too. Similarly, in their study of small retail and service firms in the US, Wicker and King (1989) found that entrepreneurs have job-related worries and anxiety. There are sectoral variations in this type of stress and anxiety. Many manufacturers expressed that they overwork, have no holidays and live stressful lives. In day-to-day practice the small firm owner needs to control, to manage and to deal with changes. Wholesalers experience dramatic changes in the business. Professionals in the construction sector are often worried about the building tasks, payments and informal deals with contractors. Many entrepreneurs thought that retailing businesses are easier and less stressful than others.

8.4.2 Managerial control and the use of labour

Small business owners are reluctant to delegate responsibilities in their firms. They want to control the main tasks and to be the only head of the quasi-organic structure of their small firm. Family members and shareholders do not want to loose the control of the business to outsiders. Only long serving skilled craftsmen are praised and sometimes given the control of other workers or important business practices. In all sectors

entrepreneurs are reluctant to employ professionals such as engineers, accountants and managers. This is another strong characteristic of small firms which is widely observed in different societies (Scase and Goffee, 1985; Amin, 1989a; Ayata, 1991).

However, in this informal structure of family and shareholders, small firms also experience family rows and the break-up of partnerships. The previous business experience of entrepreneurs indicates that partnerships between brothers, cousins and kin are often ended through business and personal disputes. This causes tremendous material and emotional complications among family members and relatives. However, there is an increasing tendency to secure commitments and shares with formal contracts in small firms. Similarly, changing business ethics emphasise legal contracts instead of verbal promises and agreements between businessmen and clients. But there remains a high level of insecurity, exploitation, and a lack of trust between small business owners and employees.

In commercial sectors the satisfaction with employees is very high. 73.5% of consumer durable retailers and 82.5 % of wholesalers stated that they were satisfied with their employees (see Table 8.6). The involvement of family members and friends in the firm as employees and managers increases the satisfaction levels in all sectors, particularly in commercial sector firms which mainly employ immediate family members and relatives. In all survey areas, the level of the entrepreneur's satisfaction is based mostly on moral and ethical values, as loyalty and trustworthiness are considered very important. However, manufacturing and construction entrepreneurs also pointed out the lack of skills and education in local labour markets.

The lowest satisfaction level is observed in construction firms. As Table 8.6 shows, only 34.6 % of entrepreneurs in this sector are satisfied with their workers. This is mainly due to the indirect control of the business owner in the process of building work. The building contractor organizes the teams. As many workers come from rural areas and have poor skills, it is a frustrating process for entrepreneurs to control the work quality of these teams and employees. Team leaders do not often have training and educational qualifications. Therefore, many professionals complained about the poor quality of

workmanship and lack of education and discipline among their workers and skilled contractors.

Table 8.6- Level of satisfaction with employees

Satisfaction	Number of firms and percentages by sectors				TOTAL
	Consumer d.	Wholesale	Manufacturing	Construction	
not satisfied	-	2 (5)	5 (7.5)	21 (28)	28 (13.0)
partly satisfied	3 (8.8)	3 (7.5)	21 (31.1)	23 (30.7)	50 (23.1)
satisfied	25 (73.5)	33 (82.5)	40 (59.7)	26 (34.6)	124 (57.4)
very satisfied	2 (5.9)	-	1 (1.5)	-	3 (1.4)
no idea	2 (5.9)	2 (5)	-	1 (1.3)	5 (2.3)
inappropriate	2 (5.9)	-	-	4 (5.3)	6 (2.8)
TOTAL	34(100)	40(100)	67(100)	75(100)	216(100)

The result of this phenomenon is that there is a dissolution of old values and traditions. Apprenticeship, once the source of artisanal skills and small business ownership, is increasingly becoming a low paid unskilled labour source for small firm owners. As Ayata (1991) points out, the dream of being a wealthy master and business owner has only a small chance of fulfillment for apprentices unless they hold substantial capital or have extra-ordinary skills. Entrepreneurs no longer feel responsible for passing on their experience to apprentices. Instead, many entrepreneurs are unhappy with the increasing number of undisciplined and unlawful teenagers in their work places. Some also complained that apprentices leave the jobs without any notice and steal equipment (Case B4, B5, B6, B7). Similar findings elsewhere support the perception of the problematic nature of work attitudes and quality of labour in small manufacturing firms (Hitchens and O'Farrell, 1987).

Case B4 (038-13) Gaziantep: *"I needed three workers immediately but I couldn't find them. There are not enough people who know how to work. We teach them everything. Qualified workers prefer big companies. A qualified journeyman became a porter in a factory but would not come here".*

Case B5 (047-13) Gaziantep: *"I got fed up with these workers. If I can get this computerized machine I would feel very comfortable".*

Case B6 (105-23) Kayseri : *"The lack of qualified workers is an immense problem. We go! students from the vocational school and they made things worse. They started to dodge from work and went to see movies with our apprentices".*

Case B7 (167-33) Denizli : *"It is hard to find qualified workers. Many cannot adapt to work easily. We have to teach them".*

The proportion of employees in the small firms surveyed is far larger in manufacturing, and particularly in the construction sector. The skills and qualifications of workers are very important in these sectors. Given the lack of qualified workers in local markets, employee poaching was assessed in the survey. Entrepreneurs who are masters of apprentices are afraid of losing their market advantages with new business entries and tougher competition. Therefore, many crucial skills of the production process remain secret to only the trustworthy employees of the business owner.

The entrepreneur was asked how often employee poaching occurs in the local market. There are cases of malpractices, particularly in the manufacturing sector (see Table 8.7). More than half of manufacturers (58.2%) claimed that poaching of employees occurs in the local market. This indication also proves that there is a serious scarcity of qualified labour in the manufacturing sector. A qualified journeyman or master will also have knowledge of the production of the firm as the production process is mostly based on craftsmanship. He can be employed by another entrepreneur who offers a higher salary or a shareholding. They can imitate the same production and compete in the local market. Imitation occurs when a particular machine or product becomes profitable in the local or national market. In construction this type of practice is rare due to the fragmented structure of labour use.

Table 8.7- How often does poaching of an employee occur in the local labour market

	Number of firms and percentages by sectors				
	commercial Consumer d.	sector Wholesale	Manufacturing	Construction	TOTAL
never	34(100)	39(98)	28 (41.8)	68 (90.7)	169 (78.2)
daily	-	-	9 (13.4)	2 (2.7)	11 (5.1)
weekly	-	1(2)	14 (20.9)	3 (4.0)	18 (8.4)
monthly	-	-	12 (17.9)	1 (1.3)	13 (6.0)
rarely	-	-	4 (6.0)	1 (1.3)	5 (2.3)
TOTAL	34(100)	40(100)	67(100)	75(100)	216(100)

8.5 THE VISION OF ENTREPRENEUR

It is very important for the future of small businesses to examine what entrepreneurs think about their business and how they plan its future. To assess the prospects of the small firms in the sample, the survey sought to examine the vision of entrepreneurs. The survey results indicate that entrepreneurs plan to continue the current activity or a similar one and to avoid risks. There are few entrepreneurs who want to set up an entirely new business in a different field from his/her existing experience. Most have low confidence in other businessmen as well as institutions and the state. There are other studies supporting this observation. In a large survey of small firms in Istanbul, Ankara, Gaziantep and Bursa, Öztunalı et al. (1989) suggest that entrepreneurs do not particularly trust state-owned and small firm-related institutions for their business. They also do not utilize them.

8.5.1 Entrepreneur's perception of state and institutions

There is a certain type of anti-state and anti-authority feeling among entrepreneurs together with a low confidence in bureaucracy. This is also pointed at in some other small firm studies (Bechhofer and Elliott, 1981). Many entrepreneurs complained about the slow bureaucratic process and corruption. They find many services inadequate, e.g. the education and health service of the state, and the local services of the municipalities. Although slow bureaucracy and corruption are familiar complaints of ordinary people, the comments of sample businessmen were more politically motivated, given the toughening economic conditions of the Gulf crisis during the fieldwork. Contrastingly, entrepreneurs themselves were undertaking unfair practices in the form of tax evasion and illegal labour employment in each survey areas.

It is difficult to present statistical data about tax evasion and illegal use of labour. However, it has been expressed on various occasions by both entrepreneurs and government officials that there is continuous tax evasion in the business environment. Throughout the survey, when the interview turned to friendly chatting, entrepreneurs

explained this situation as a result of the unfairness of the overall system and government policies. Particularly in Gaziantep, a city in a backward region, entrepreneurs often expressed that they do not want to pay full taxes because they had no benefit from the state. Some expressions were : "What did the state do for us that it asks for money?" "*Devlet bize ne vermiş ki ne istiyor?*"; "The state which did not bring services here for years, cannot get taxes from us too", "*Buraya yıllardır hizmet, yatırım yapmayan devlet bizden vergi de alamaz*"; "Everybody evades taxes, why not us"; "*Herkes kaçırıyor biz niye yapmayalım*".

There is also illegal use of unregistered labour, particularly in the manufacturing and construction sectors. Entrepreneurs avoid paying insurance for these workers and fire them easily. These workers are paid less than the minimum official salary which is already very low. But at the same time they claim that their firms are smaller than they really are in terms of the number of employees in order to avoid higher taxes. The use of cheap and unregistered labour is a cost advantage for small firm owners and they can fire them easily in an economic bottleneck. However, it can be argued that this type of employment also has disadvantages as low skills and high labour turnover are endemic and diminish the quality of the work produced. This is a dilemma for entrepreneurs. In the manufacturing sector, most child workers between the ages of 14-18 are unregistered. Similarly in the construction sector, only master contractors and some building site workers are registered and insured. The rest of the workforce in this sector is largely illegal although seen as self-employed. Construction firms which employ them carry no responsibility for these workers.

Anti-government and state feelings were particularly strong among manufacturers. Many believed that manufacturing was not supported by government policies. The high interest rates of bank credits and the increasing input prices were the main complaints. It was felt that unproductive and speculative activities were being encouraged by the government, not manufacturing. Some expressions were: "*if we keep the money in the bank we earn more*", "*we always have problems with government institutions about*

insurance, registration and accountancy", " they want development but how could it be under these circumstances ?", "we always have a crisis in manufacturing business and we always wait and hope", "the government imports machines instead of supporting national production".

How far they are right in these anti-state feelings needs to be examined. Certainly there is a strong sense of anti-regulation and independence among these small firm bosses. There can be three basic reasons behind this. First, entrepreneurs want to have independent control over business practices and do not want to be controlled by the tax inspectors of the state, who they think are unfair. A second factor is related to the social and educational background of the entrepreneur. Entrepreneurs who are first-generation rural immigrants, ex-workers and poorly educated, have a stronger anti-rule and regulation feelings.

Third, the resentment of entrepreneurs is also an outcome of the slow state bureaucracy, unfair state practices, and weak institutional support for small businesses that exist in the survey areas. The monetary policies of the government throughout the 1980s have also emphasised commercial and service sectors at the expense of the manufacturing sector, as pointed out by Senses (1990). When these elements come together the result is a highly un-supportive institutional environment for small businesses.

8.5.2 The future of small businesses

The future plans of entrepreneurs are based on their aspirations for growth and survival. Those in the commercial sector are more likely to continue their business at the current level but are also more willing to divert their capital to other sectors without leaving their current work. The market change in the traditional wholesaling trade forced many firms to change their marketing strategies and the type of business. Some old wholesaling families even went bankrupt after new competition in local and national markets arrived in this sector. In wholesaling, 10% of the sample firms are planning to leave the business. However, there is fear of starting up a completely new business, expressed as *"we don't*

know another business, it takes years to get things in order in another type of business".

The formation of a wholly new firm is thought more risky than diversification and cross-entry. This tendency is stronger in the manufacturing sector than others. As entrepreneurs develop their skills and understanding of a certain type of production, they feel that it is harder to start another type of business rather than stay in their existing field. This is seen also in their future plans. The ratios of those leaving the current business or establishing a new business is low in this sector compared to the others. 64.2% of manufacturers stated that they plan to keep or expand their current business.

Generally, entrepreneurs in all sectors want to secure their capital and seek more profitable areas by diversifying their activities. Entrepreneurs are reluctant to enter a new business or make drastic changes in their work. Only 5.6% of the total sample stated that they plan to enter a new business. They feel insecure about getting into a new business and they fear bankruptcy. As is often said "*we do not enter a business which we do not understand*". In that sense many entrepreneurs are not innovative, but opportunistic.

It is a key part of the entrepreneurs' ambition to provide a wealthy life style for themselves and their families in their city where family name and wealth equate with local respect and envy. For example, in Kayseri there are second houses '*Bag evi*' on the hills of Erkilet. They all belong to local small and large businessmen. Their architecture and design are distinguishable. A similar attitude is observed in Gaziantep where summer houses on the coast of Arsus (Adana) two hours away from Gaziantep, or other summer houses in the countryside, are a major status symbol of local businessmen. This is a parallel process to recent consumption behaviour in the large cities, where families try to get a second house in the countryside or on the coast. But many wage earners cannot afford these houses. This, and other indications in the survey, show that many capitalist small business owners lead a better life and get more money than wage earners in the survey cities.

Entrepreneurs were reluctant to give a clear idea of their future plans. First, they are concerned with the widespread imitation of production methods and business ideas in

local markets. If somebody started a business and utilized a profitable income, other opportunity seekers tend to enter the market too. Therefore, entrepreneurs preferred to keep their specific business plan secret. Second, in many cases they do not have a clear idea of the advantages and disadvantages of their business interests and potential new investments. In all the survey areas, despite the existence of some government institutions related to small firms, there was no information or marketing centre, economic and technological help available for small firm owners.

8.6 CONCLUSION

The concept of entrepreneur, entrepreneurial culture and their linkages with innovation are examined in this chapter. Entrepreneurs' family backgrounds, education and previous job experiences have been analysed. The research findings show that there is not a particular, uniform class of entrepreneurs, contrary to some studies which claim that entrepreneurs come from a particular class and family background. Instead entrepreneurship has its roots as much in the rural peasantry as the aristocracy, among the working class and artisans, as well as urban middle classes. Family influence on the current business choice in all cases is strong. The research also shows that there is a strong correlation between the father's occupation and the current sector of the firm.

Characteristics of entrepreneurship indicate that there are significant differences among sectors rather than localities. There is a very small intra-regional movement of entrepreneurs, as indigenous local people run most small firms in the sample. The choice of business location is based on sentiments and social advantages rather than rational comparisons of the possible locations by a rational entrepreneur. It is observed that most entrepreneurs develop their work experience in the same sector. In all sectors there is a continuous process of change, but at varying speeds and strengths in terms of marketing and production. From the old traditional wholesaling to the artisanal type of production, local markets are opening up to the world. Media and the diffusion of big companies into local markets are changing the ideas of businessmen. Although the level and speed of

change of small businesses remain to be questioned, change is leading to a deepening gap between entrepreneurs who have low education or traditional apprenticeship, and those who have higher education and better qualifications.

The research findings indicate that the state of small business entrepreneurship is under change. The old apprenticeship system is not serving the modern needs of small firms in all sectors any more. The lack of new management techniques and technologies are among the most important bottle-necks of entrepreneurs. Although entrepreneurs are aware of these needs, most of them are not able to implement change or are hesitant to do so. Their lack of knowledge, skills and information is a more basic handicap than capital resources. But they also fear loss of control of their companies if they employ specialist staff to provide the skills they need.

High levels of child and immigrant labour in manufacturing and construction firms, widespread tax evasion, and wealth seeking rather than innovative investments by entrepreneurs raise questions about what the long term benefits to local people are, and what the economy gains from small firms. However, the current form of entrepreneurship, which relies on local market niches, family and friends networks, is under a strong pressure. The research shows that a mostly new generation of entrepreneurs is replacing them in some sectors. By the diffusion of professionals, the construction sector is seeing this change faster than the other sectors. Higher levels of qualifications are gaining in importance. This is also seen in the manufacturing sector where an increasing number of vocational college and university graduates are entering the industries.

CHAPTER NINE

SURVIVAL AND GROWTH IN SMALL FIRMS

9.1 INTRODUCTION

The analyses of birth, growth and death of small firms will enable us to understand the economics of small firms. As is often pointed out, the vast majority of small firms remain small throughout their business life. In order to assess the role and importance of small firms in the survey cities and sectors, it is important to analyse their life cycle, business performance and entrepreneurial strategies. There are high birth and death rates and continuous change and struggle in the small firm sector. The death of a firm is often the beginning of a new business for many entrepreneurs. This survey shows that changes in partnership structures and diversification in the business frequently occur in small businesses.

The survival behaviour of the small firm is an important issue for analyzing and understanding the character of small businesses and their role in the local economies. This chapter examines three hypotheses for which cross tabulations and significance tests are used to provide valuable information about the associations between variables for business performance and growth. First, it is argued that the start-up of small businesses and difficulties of early establishment form a critical period for survival. It is important to analyse the dynamics of start-up and survival. Second, the analysis examines the relation between small business growth and performance. It questions whether there is a correlation between the age of the firm, characteristics of entrepreneurship and firm growth. Third, networks of firms and flexible specialization are widely discussed as innovative and successful forms of small firm development. This chapter analyses these

issues and seeks to show how sample firms pursue growth and survive in the local economies and what their weaknesses are.

9.2 START-UP, SURVIVAL, AND FAILURE

There is a dynamic life cycle of small firms with high rates of births and deaths, as is often pointed out in the literature (Evans and Leighton, 1990; Storey 1990; Curran and Stanworth, 1986b). Two different processes are inter-linked in the survival of the firm. The first process is the continuity of the business premises. In this survey we are not able to grasp all the details of this process. The second process is the continuity of the entrepreneurial challenge and ownership through new business formations. The survey questionnaire offers valuable data on this area of inquiry. However, the survival of small firms and the survival of the entrepreneurial challenge must be separated from each other. Firms can be sold, partnership structures can change, the business can be diverted. However, the firm may continue to survive. Similarly, business premises can be closed down, firms can go bankrupt, but entrepreneurs are likely to start another business. This dynamic nature is dependent upon a complex interaction between market opportunities and entrepreneurial strategies.

Therefore, the continuity of the entrepreneur is different from the survival of a single firm. It is basically the entrepreneur who forms the business, makes changes and survives, but s/he can experience several business closures and set-ups, and partnership changes. This is clearly seen in the previous work experiences of the business owners. The survey analyses cannot provide direct information about the birth and death rates of small firms in Gaziantep, Kayseri and Denizli. As a result, it is not possible to analyse the wider local dynamics of births and deaths of small businesses in the survey sectors. Instead, the survival of each sample firm and the entrepreneur's previous experiences are the main focus of analysis. These data on the previous work experiences of entrepreneurs shed important light upon the more general dynamics of birth and death of small firms.

There are three characteristics of small business survival evident in the survey. First, the survival of small firms is an outcome of entrepreneurial strategies within local market constraints and opportunities. The motivation and skill of the entrepreneur are basic elements of business start-ups, survival, and failures. Second, there is a strong involvement of family and friends throughout business management. This is a part of day-to-day practice and survival. When this solidarity and cohesion breaks down the business often fails to survive. This is one of the causes of closures of firms or emergence of new partnership structures. Third, expansion, as well as survival, are linked to local market opportunities and national trends in each sector.

It is important in this chapter to look at small business survival and failure within the context of local market opportunities and entrepreneurial challenges. However, there are also some macro processes which determine the local markets and competitiveness of small firms, such as new technologies and new marketing practices. Government policies also play an important role in this process. The linkages between small and large companies, and the economic integration of local, and national and international markets largely determine the context of the survival strategies. For instance, wholesale trade has undergone a rapid transformation in the hands of big food producers and marketing companies in Turkey. This has caused fundamental changes in the marketing sales of small businesses in the survey cities. Some businesses have closed down, some have succeeded in transforming and adapting themselves.

9.2.1 Business formations and failures

Business failures and entrepreneurial failures are different from each other. Business failure is summarized by Wilson and Stanworth (1987) as having three aspects: first closure of the premises where trading has ceased; second, transfer of the business to another owner; third, significant change in the type of activity operating on the site. Entrepreneurial failure, in contrast, occurs when an owner is unable to pay off debts in full and becomes personally bankrupt (Storey, 1990). In the case of small firms, the

entrepreneur is much more likely to start a new business after a business closure or personal failure. Significant change or transfer can also occur in a family-run firm within the process of capital and management diversification. The previous work experiences of entrepreneurs indicate that typically they experience more than one failure and try new set-ups until the entrepreneur ceases looking for opportunities in the market. Therefore, the significance of business failures in local economies is hard to measure.

The current firm is often not the first business of the entrepreneur. Table 9.1 illustrates previous entrepreneurial experiences. The first column shows the number of previous business starts of entrepreneurs. The number of starts is illustrated for each sector in two columns which indicates the type of the firm, family or shareholding and individual ownership. Reasons for the failure of these starts were varied. Entrepreneurs did not always specify the reasons. Mostly, entrepreneurial failure, business failure, new opportunities, and partnership changes were observed as prime motives behind these changes. Previous entrepreneurial starts show that more than half of the sample entrepreneurs had experienced one start prior to the current business, 43.5% two, and 16.2% three starts.

A close examination of the business starts indicates that sample firms did not spin off from large companies, nor are they branch plants of large firms. The basic form is individual ownership and a family or partnership structure. Table 9.1 shows that there is a tendency towards widening individual ownership from first start towards the second and third starts. For example, 50% of first start businesses were family owned or shareholding while 29.8% of second start businesses were family owned or shareholding. Third and fourth starts also show the same tendency. Evidence indicates that entrepreneurs are likely to set up a new business more than once as 134 out of 216 entrepreneurs had had one, and 94 had had two starts prior to the current business. The survey results indicate that the number of starts show different patterns across the sectors. Three and more starts are largely experienced by manufacturing firms (31.3%), construction firms (29.3%) and

consumer durable retailers (26.4 %) while this rate is only 10% in wholesaling of foodstuffs

Table 9.1- Previous entrepreneurial starts of the entrepreneur before the current firm

Num of starts	Number of firms by sectors								TOTAL		T
	Consumer d. (A)	(B)	Wholesaling (A)	(B)	Manufacturing (A)	(B)	Construction (A)	(B)	(A)	(B)	
1 st start	8	14	14	16	8	17	37	20	67	67	134
2 nd start	12	5	12	3	12	13	30	7	66	28	94
3 rd start	4	3	4	0	8	4	11	1	27	8	35
4 th start	1	1	0	0	4	3	3	2	8	6	14
5 th and more.	0	0	0	0	0	2	0	4	1	6	7
Total	25	23	30	19	34	37	85	31	174	110	284
Sample size	34		40		67		75		216		

A: Self employed or own firm, B: with shareholder(s) or family

Percentages in each sector

Num of starts	Number of start-ups and percentages (*)					TOTAL (%) start-ups
	Consumer d.	Wholesaling	Manufacturing	Construction		
1 st start	64.7 (22)	75 (30)	37.3 (25)	76 (57)		62 (134)
2 nd start	50 (17)	37.5 (15)	37.3 (25)	49.3 (37)		43.5 (94)
3 rd start	20.6 (7)	10 (4)	17.9 (12)	16 (12)		16.2 (35)
4 th start	5.9 (2)	0	10.4 (7)	6.7 (5)		6.5 (14)
5 th and more.	0	0	3 (2)	5.3 (4)		3.2 (7)

(*) Number of start-ups are divided by the sample size in each sector. Numbers in parentheses show the number of starts.

The continuous search for new opportunities occurs in three ways. First, the ownership structure changes in time. This can be through dividing up a shareholding among family members or creating new partnerships. The breaking up of partnerships among shareholders and family members may create more than one new formation without any business closure. Most of the firms where entrepreneurs had their first business involvement as partners were family firms or were with business partners. In the survey areas, many interviewees agreed that partnership structures do not last long. Second, changes in the local and national market bring new dimensions to the style of the business. If the business is not profitable and/or satisfactory, owners try to change and divert it by following available market opportunities. Third, in some cases the profitability of the business encourages the entrepreneur to set up a new firm or divert capital to family members and/or friends. This may also occur when the growth of the business reaches a

certain threshold, as is observed in consumer durable retailers. There are also some personal and family strategies and preferences which lead to temporary business closures and new formations. In-depth case studies and anecdotal accounts show the complexity of this process.

Case C1 (034-13) Gaziantep: Mr. Diri is 36 and first entered into manufacturing as an apprentice in 1965. He set up his first firm in 1973 and produced small machinery parts. Shortage of electricity and increasing demand for candles in 1977 inspired him to produce candle casting machinery. He explains *"I found a partner and we made money for a year. Then it was over. In 1978 with a friend we started to produce soap cutting machines"*. After trying several partnerships and different types of machinery production, Mr. Diri entered into the manufacturing of weaving and design machines. He is currently involved in a new partnership with a friend who is also a small firm owner. They were trying to produce an automatic weaving machine by copying European catalogues at the time of the survey.

Case C2 (042-13) Gaziantep: Mr. Cengiz, who is a producer of textile machinery and parts, had a series of business experiences and partnerships until he set up his firm in 1988. His father is a pistol producer. He worked in the family firm with his father and brothers. He was arrested during the military regime in 1980 and the family firm was run by his two brothers. After he was released in 1981 he did temporary jobs and traveled around the country. He produced some industrial equipment in Ankara and Istanbul with different partners. The Lions Club in Istanbul provided a social network for him. Then he returned to Gaziantep and set up his manufacturing firm. He was subcontracting to one of the big companies in Adana at the time of the survey. He also got some contracts together with his friend who was also a small manufacturer.

Case C3 (013-12) Gaziantep: The first business was set up by the father. He was trading commercial goods in 1938. Second, he entered in the trade for the weaving materials in 1942. Third, he opened a shop, *"Kabızmal Dükkanı"* for trading fresh vegetable and fruits. This trade continued until 1957 and was transformed into wholesaling and retailing of foodstuffs (1957-1966). Then, starting in 1966, the firm gradually moved into the wholesaling of foodstuffs. Throughout this time the business has grown and ownership has changed. At the time of the survey, the father and two of his university graduate sons and an old friend were running the firm in three different shops. Despite the diversification of the business, this family firm remained a simple partnership.

Case C4 (116-23) Kayseri: Mr. Akman left the partnership with his elder brother. He believes that there is a lack of mutual confidence in business partnerships among friends and family members. *"Shareholdings do not go far in the business environment. If partners cannot make a profit they blame it on each other. If they make a lot of money they cannot share it. In any case they split up"*.

Case C5 (119-24) Kayseri : This construction firm was set up by the elder brother. He worked with his father who was also a constructor. After he graduated from university he worked in construction sites as a chief controller. Then he worked as an engineer in a public institution. He set up his own firm in 1982. The business proved successful and two younger brothers, a former school teacher and an artisan, joined to work with their elder brother. They then formed a simple partnership.

Case C6 (192-34) Denizli : Mr. Örsel finished university in Germany. After 3 years experience in private sector firms as an architect, he set up his construction firm. After their marriage, Mrs. Örsel, an architect, became involved in the business and the firm became a simple partnership.

The survey data on the future aspirations of business owners indicate possible future formations, too. Although most of the firms declared that they are going to stay and expand in the same business, there is a relatively large group of entrepreneurs who wish to set up new businesses.

9.2.2 Age of the firm and start-up

The years that the sample firms have been established are classified in three periods with respect to the survey year (1991). Age categories, seen in Table 9.2, correspond to significant economic changes in the country. The period before 1980, which refers to firms older than 10 years, is an important breaking point in the Turkish economy. Liberal economic and monetary policies were introduced that year. The period after 1985, which corresponds to the 7-12 years age category, has witnessed a rapid increase in exports and the opening up of the Turkish economy to the world market. Therefore, it is important to analyse the survival and business strategies in these different age categories of the firms. These categories are also used to assess business growth and performance measures in the analyses.

Table 9.2- Establishment years of the sample firms by sectors

Year of Establishment	Commercial	Sectors (%) Manufacturing	Construction	TOTAL(%)
Before 1980	49 (66.2)	48 (71.6)	25 (33.3)	122 (56.5)
1980-85	16 (21.6)	12 (17.9)	31 (41.3)	59 (27.3)
1986-1991	9 (12.2)	7 (10.4)	19 (25.3)	35 (16.2)
TOTAL	74	67	75	216

Firms which were 12 years and older are considered mature. Firms between 7-12 years old are considered to be in transition, and those 6 years and younger are considered "growing" firms. Many entrepreneurs pointed out the importance of the local market credibility and their reputation in business success. The critical period of survival was found to be 3-4 years. Small firm owners gain the trust of their customers and develop business contacts and confidence in the local market in this period. Paradoxically, factors that are crucial for success and survival are also the reasons for failure.

Most of the manufacturing (71.6%) and commercial firms (66.2%) are twelve years old and older, whereas most of the construction firms (66.6%) are younger than 12 years old. This pattern of business entry years coincides with the changes in the national economy in a particular sector. Therefore, we can explain differences in the business entry years by referring to these changes. Commercial firms which have roots in traditional commercial activities are well established businesses in localities. The growth that the manufacturing sector has experienced during the 1970s is mainly associated with the introduction of lathe machines. However, throughout the 1980s the small manufacturing sector was given little importance in government policies, as is pointed out in Chapter 2. The establishment years of the small firms in this sector clearly indicates this trend.

The construction sector presents a different case. Two fifth of the firms were set up in the period of 1980-85. This can be explained in several ways. First, there has been a market boom after the 1980s in the country, but particularly in growing cities. Second, the Turkish construction sector opened up to the world allowing the entry of big companies in this period and they affected the local markets with new techniques and materials. Third,

more and more professionals entered this market, as a parallel to increasing concern about the quality of housing construction among middle and upper-middle classes.

In all sectors there is a decreasing number of new establishments between 1986-91. There are several interpretations of this. First, it may be that the number of small firms in local markets is reaching saturation in regard to market demand. This means new entries and the survival of new firms may be reaching a maximum of potential. Second, there may also be sectoral differences in birth and death rates. For example, we know that there is a high number of deaths and new formations in the construction sector. Therefore, firms in this sector in a random sample will always be younger than in other survey sectors. In their survey of birth and death rates in self-employment, Evans and Leighton (1989) found that about one third of the entrants leave self-employment within the first 3 years of entry, about one half within 7 years, and about three fifths within 10 years. However, in Turkey as a whole, and the sample cities, we do not have any information about birth and death rates to document the birth and death rates in each sector.

A third factor is the effect of declining economic growth in the late 1980s as well as the Gulf crisis, which had a negative effect on some sectors in the national as well as local economies. It made the survival of small firms harder as well as creating problems for new entries. Many entrepreneurs complained about high inflation rates and the economic hardship during the survey. A fourth feature is that there is a certain group of entrepreneurs who survive and control the business environment in local markets in relatively old businesses (i.e. wholesaling of foodstuffs, manufacturing). Their influence is also observed in the local politics and social activities of the survey cities. Survival of families from rural aristocracy and urban artisans and merchants are observed as major sources of small firm formations. Although education and migration facilitated social mobility, there is some evidence that old-established families of local entrepreneurs have remained largely in control of a substantial portion of the local economy. This depresses the new firm formation rate in the foodstuffs wholesaling and machinery manufacturing sectors.

9.2.3 Capital sources and problems of early establishment

Entrepreneurs were asked about the amount of start-up capital which would be necessary to establish the same business with its current assets. In both of the commercial sectors the minimum requirement capital was 50 million Turkish Lira (TL)¹. The upper limit was TL 500 million. In these two sectors, 9 firms out of 74 declared that the size of capital is dependent upon business contacts and the credibility of the entrepreneur. The qualifications of the entrepreneur is as important as the amount of capital invested in the manufacturing and construction sectors. In the manufacturing sector, the size of start-up capital is highly diverse compared to other sectors. The type and the number of machines varies considerably among the sample firms. Although all these firms were classified in the same general sector category (small machinery and parts manufacturers), there were both modern producers as well as small traditional artisans. Although the largest size of manufacturing capital required was TL 5.5 billion, the main requirement of these firms was 500 million TL and less. This covered 72.7% of the firms in this sector (see Table 6.4 in Chapter 6).

In construction, 18 out of 75 firms claimed that initial capital is not necessary. Furthermore, 11 firms declared that it depends on the conditions of the entrepreneur. These 29 construction firms (38.7%) and some entrepreneurs from other sectors were pointing out the importance of local contacts and business credibility which were sometimes more important than the initial capital investment. Inputs could be supplied with credits or business clients would provide support with new orders. Relations with customers and suppliers are equally important for the business for a regular supply of input and cash flow. These are facilitated by local contacts. These results indicate that personal popularity, the social network and the family contacts of the entrepreneur are of great importance for the capital requirements of the firm. The following case studies indicate that

¹) Average exchange rate at the time of the survey (1990-91): £1= TL 5,500.

relatives and friends are particularly important for early establishment.

Case C7 (216-34) Denizli : Mr. Kayhan is a former barber who set up a construction firm. He first started to build a house for his brother who worked in Germany. He succeeded and developed a reputation. Among his villagers were immigrant workers in Germany who asked him to do the same job for them as a constructor. They sent the money and he built the houses. He gradually found it interesting and profitable. After having a spine problem he gave up the barber shop and decided to open his office for construction. His main customers have continued to be Turkish workers abroad and his kinsmen.

Case C8 (203-34) Denizli: Mr. Yıldız is a former school teacher. He was organizing some housing construction while he was teaching at a primary school. His father was a former master in the construction sector and he used to work with him occasionally. He started to built houses for his villagers and his brother, who was working abroad. He developed a business network and experience. Since his wife found the private business risky, he waited for his retirement in order to set up his own business. His villagers and relatives have been major customers of the business.

As far as problems of start-up are concerned, in all sectors lack of personal resources and capital are the most common difficulty (57.9%). This is followed by the development of business contacts (48.6%). Hence, capital resources and business contacts are crucial for the success of the start-up (see Table 9.3). This finding is parallel to other small business surveys (Birley, 1989; Dunkelberg and Cooper, 1990). However, there are differences among sectors regarding the difficulties of start-up. In commercial firms, first comes the difficulty of finding personal resources (41.9%) and secondly developing business contacts (37.8%). Shop location is also important for these businesses. As rents are high at central locations, they complained about difficulty of finding cheap shops. In the manufacturing sector, the difficulty of finding capital resources is the most common problem (83.6%). This is followed by getting machinery and equipment (53.7%) and finding skilled labour (47.8%). Technology of production and skilled labour are general problems of manufacturers in the survey areas, not only during start-up but also for survival.

Table 9.3- Problems and difficulties of start-up (*)

Difficulties	Number of firms by sectors (%)			TOTAL
	Commercial	Manufacturing	Construction	
personal resources/capital	31 (41.9)	56 (83.6)	38 (50.7)	125 (57.9)
develop business contacts	28 (37.8)	26	51 (68.0)	105 (48.6)
skilled labour	3	32 (47.8)	13	48 (22.2)
getting machinery&equip	1	36 (53.7)	4	41 (19.0)
cheap shop/building site	16 (21.6)	12	7	35 (16.2)
bureaucratic&administrative	2	7	14 (18.7)	24 (11.1)
management&accounting	11	10	11	32 (14.8)
Total number of firms	74	67	75	

(*) More than one difficulties were indicated. Therefore, total percentages do not sum to 100%.

Only in construction sector firms are personal resources and capital secondary problems. To develop business contacts and to be known in the local market are two important difficulties of early start-up in construction firms (68.0%). These firms have to deal with land owners and families in order to construct and sell houses and flats. Start-up capital is not always necessary because landowners often supply the construction site in exchange for flats. Customers can pay installments throughout the construction period. The role of the businessman is to be an organizer of tasks and business deals. This needs social contacts and reputation in the local market. Negotiations between landowners, customers and planning institutions are very important for the organization of housing construction and sales.

9.3 SMALL BUSINESS GROWTH AND SURVIVAL

The growth rate of small firms is believed to be related to the firm's age in some literature (Storey, 1990; Evans, 1987a; 1987b). Growth is defined as a statistical measure of increasing output or/and net profit and turnover or/and number of employees. However, the survival of the small firm is a much more complicated process than this measure would indicate. There are different aspects of the survival and growth of the small firm which are formed under different circumstances in each sector and locality. The cross tabulations and significance tests show various indicators of the business performance and growth to be important in the survey areas. The survival of small firms are also affected by state policies which promote certain forms of business combinations more than others, often for

reasons that are socially and politically, rather than economically motivated, as Berger (1981) pointed out in the survival of the traditional sector. Despite the complexity of this process, this section will briefly analyse the different aspects of small firm growth and survival strategies in the survey areas.

Survival and growth should be separated from each other in terms of business performance. Not every survival strategy leads to the growth of the business. Some survival strategies might contradict or even hamper the growth of the firm. For example, the imitation of business styles or the advantages of social networks could allow a small firm to survive, but may not encourage a competitive and innovative business. There are a series of contributions in the literature about the dynamics of survival (Evans, 1987a; Barber et al., 1989; Acs and Audretsch, 1990b). First, the market structures and characteristics of demand determines growth and survival strategies. Second, sustaining the growth of a firm depends upon the continuous development of products and maintenance of cost advantages. Therefore, innovation and managerial changes are crucial for this process. Third, the type of relationship between large and small firms determine the growth and survival of small firms.

Market structures are significant for the survival and growth of small firms. As Barber et al.(1989) point out, growth cannot be taken as a measure of performance without reference to the general growth of the market. It is often not difficult for a firm to achieve rapid absolute growth when the overall market is also expanding rapidly. The characteristics of demand also represent one set of important influences including market growth, size and frequency of purchases, the degree of market segmentation, and the possibility of creating niches which small firms can exploit. Similarly, company and bankruptcy laws, taxation and fiscal policies, and labour laws are all influential on small business expansion in local markets. Lazerson (1990) emphasises similar points in his Modena (Italy) study.

Small and large firms have different motivations to expand. While large firms expand to capture strategic core-design and marketing assembly, small firms expand to

search out profitable investment opportunities. Market size is a necessary condition for achieving economies of scale. Markets tend to become more heterogeneous over time, evolving into progressively finer segments as buyer tastes and technological opportunities change (Acs and Audretsch, 1990b).

Marketing according to the characteristics of demand is the most important element for the sample firms in all sectors. Businesses follow market segments, and various types of demand structures. Diversification in markets is one of the common strategies for achieving economies of scale. Similarly, the purchasing power of client businessmen and individual consumers is a very important factor for the volume of the business. For small, specialist firms, scale economies may not be significant, but they can enjoy significant economies of scope. Fluctuations in government incentives and demand of the public sector, in manufacturing and construction, affect growth and survival patterns. The geographical limit of business relations determines the expansion of the business as well as market competition. The survey indicates that small firms are linked closely to local and regional merchants, but are more directly linked to the big regional and national companies and marketing firms for their input supply. However, their products or services remain in the local and regional markets. The type of relationship between large and small businesses varies across sectors. As a result there are complementary, subsidiary and conflicting interests among large, medium and small firms.

Innovation is not a function in the sample small firms. Contrary to flexibility theory, as well as studies which emphasise the innovative role of small firms in the advanced economies (Acs and Audretsch, 1990a), small firms in this study do not make an important contribution to product improvement and technological innovation. While there is not sufficient data about commercial firms, manufacturing and construction firms are dominated by labour intensive craft production. Although sustaining the growth of a firm depends on the continuous development of product and cost advantages, this occurs through incremental changes in the product. The survey firms are dependent upon the technology of large firms. Nevertheless, there are very few firms which experienced

transition from craft production to a business more capable of competitive growth.

9.3.1 Barriers to expansion and growth

There are a series of limitations to small business growth in the survey cities. As well as limits to capital availability, these are problems of cash flow in local markets, unstable demand, increasing imitation, hardening macro economic conditions through inflation, and distortion of income distribution. Survey results indicate that small firms have fewer resources and limited expertise to handle economic crises and demand fluctuations. There are external and internal barriers to growth. However, major barriers expressed by entrepreneurs are economic instability and lack of capital. There are also sectoral differences. While economic instability comes first for commercial and construction sector firms, lack of capital is regarded as the major barrier to growth in manufacturing. Firms in manufacturing have more obstacles and difficulties than the other sectors, such as economic instability, lack of capital, technology and skills.

Table 9.4 shows barriers and obstacles to business growth according to business owners. In manufacturing, 35.8% of firms declared that lack of capital is the main obstacle. This is followed by the three other obstacles: economic instability, lack of capital, and skill and technology. Economic instability comes first in consumer durable retailing (29.4%) and wholesaling (35.0%). It is followed by lack of capital, 20.6% and 15.0% respectively. Economic instability is also stated as an obstacle in construction (30.7%). It is followed by the three obstacles: economic instability, lack of capital, and skill and technology (21.3%). Small firms are vulnerable to changes in the macro economic policies and trends. High inflation rates, decreasing purchasing power, and policy changes in the macro economic management strongly affect the business climate.

Table 9.4- Barriers and obstacles to expansion of the firm according to entrepreneur

Obstacles	Number of firms and percentages by sectors				
	Consumer d.	Wholesale	Manufacturing	Construction	TOTAL
no obstacle	7 (20.6)	9 (22.5)	9 (13.4)	11 (14.7)	36 (16.6)
(1) economic instability	10 (29.4)	14 (35.0)	8 (11.9)	23 (30.7)	55 (25.5)
(2) lack of capital	7 (20.6)	6 (15.0)	24 (35.8)	9 (12.0)	46 (21.3)
(3) skill + technology	1 (2.9)	-	4 (6.0)	5 (6.7)	10 (4.6)
(4) mistrust/bureaucracy	-	-	1 (1.5)	6 (8.0)	7 (3.2)
(5) 1+2+3	6 (17.6)	6 (15.0)	11 (16.4)	16 (21.3)	39 (18.0)
(6) 4+ 5	1 (2.9)	-	5 (7.5)	3 (4.0)	9 (4.2)
(7) Other	2 (5.9)	5 (12.5)	5 (7.5)	2 (2.7)	14 (6.5)
TOTAL	34 (100)	40 (100)	67 (100)	75 (100)	216 (100)

Another barrier to growth is related to the attitudes of the entrepreneurs. More than one fifth of firms in the commercial sector declared that there is no barrier to business growth. Overall 16.6% of the 216 survey firms stated that there is no obstacle for the expansion of the business. A large section of these firms had no intention to grow in the current business. Most are in the commercial sectors. Small business owners and families want to keep control of the key decision making and other important aspects of the business. This attitude is very common among the survey firms. This observation is also widely discussed in other small firm studies (Amin, 1989a; Barber et al., 1989; Ayata, 1991; Curran et al. 1993).

Difficulties of input-output relations also show that cash flow and delays in return payments are crucial problems for all firms in the survey areas. 60 out of 216 firms (27.8%) declared that delays in return payments is a crucial problem (see Table 9.5). This causes a chain reaction in the local markets. Un-paid cheques and bonuses are frequent in the survey cities. Continuous cash flow could not be maintained in many small businesses. Lack of skills and technology are the second major obstacles in manufacturing firms. As far as construction firms are concerned, 36 out of 75 firms in this sector stated that the informal and unstructured nature of subcontracting are major difficulties.

Table 9.5- Primary and secondary difficulties in putting-out, subcontracting & orders

Difficulties	Number of firms by sectors				Construction		TOTAL	
	Commerce (A)	(B)	Manufacturing (A)	(B)				
No difficulty	12	48	4	24	5	23	21	95
Delays of return payments	27	6	22	8	11	3	60	17
Problems of subcontracting	-	-	-	-	36	20	36	20
Delay in input supply	20	12	4	8	-	2	24	22
Undesirable quality	-	-	7	2	15	11	22	13
Finance & inflation	8	2	7	1	3	4	18	7
Lack of qualified workers	1	-	8	5	3	3	12	8
Insufficient tech/equip	1	-	8	8	-	2	9	10
Marketing problems	3	5	4	3	-	-	7	8
Discontinuous orders	-	-	3	6	1	2	4	8
Other	2	1	-	2	1	5	3	8
TOTAL	74		67		75		216	

(A) Primary difficulties, (B) Secondary difficulties

Consumer durable goods retailers have problems with large marketing and production companies. They complain about delays of their orders and increasing prices of goods. As firms have to pay in advance, any delay in the delivery of goods causes a loss of money due to high inflation rates. There is a common mistrust of large firms and capital owners among small businessmen. It is believed that large capital is not working to the benefit of small firms.

9.3.2 Price determination and marketing

Marketing of goods and services produced by small firms follows different paths across sectors depending upon the firm's position in the production and consumption chain. However, it is also structured by the state regulations and government policies such as interest rates, import and export policies. There are no clearly defined market regulations or price controls but the state has some mechanisms to determine prices in the local markets. State owned factories producing industrial raw materials and intermediate goods set market prices for these goods. Similarly, for public purchasing and construction bids, the government regulates according to yearly announced price tables. Therefore, the state has direct and indirect channels of price control, particularly in the construction and manufacturing sectors.

Marketing and design do not have the same importance for all sectors. In consumer durable retailing, the sample firms are the last in the chain of marketing. They enjoy the brand names of goods and the advertisement of large factories. However, small firm owners sometimes promote their names. They produce calendars or give advertisements to local radios and boards. In fact, this type of advertisement is done by many small firms from different sectors. However, in wholesaling of foodstuffs, it is observed that there is an increasing number of firms employing sales and delivery personnel and enlarging their geographical market. Contrary to commerce, manufacturing and construction have design, production and selling of finished products in one enterprise. The sample firms in these sectors do not have adequate expertise to cope with the marketing and design of products and services.

However, there is a newly emerging trend through specialization and subcontracting. Particularly in the construction sector, professional engineers and architects specialize in architectural and engineering design, heating and ventilation and interior decoration. This newly developing specialization among professionals encourages new job opportunities for expert firms and subcontracting relations. In manufacturing, we also observe inter-firm linkages and subcontracting but the marketing and design are very weak parts of these relations. In this sector the number of skilled managers, engineers, and white collar workers constitutes a very small proportion of the total work force. However, manufacturers in Gaziantep, Kayseri, and Denizli have started to employ salesmen and market researchers who travel across cities to get information about new products and seek market opportunities. Some manufacturers market their machinery through local merchants and distributors. Only a few firms declared that they have franchising agreements with merchants in other regions for marketing. But overall there is still a lack of systematic product design, marketing and collaboration between small firms.

Prices of goods and services produced by small firms are not fixed. They are often determined through negotiations between entrepreneur and customer or business client. Table 9.6 indicates that 81.9% of firms indicated that bargaining determined the final price.

However, the entrepreneurs' main criteria for negotiation are market prices and their profit margins. Market prices come second for commercial and construction firms. In manufacturing, entrepreneurs add their profit margin to the cost of production (79.1%) rather than just following market prices. In these firms, business clients tend to agree on the price before production starts. The amount of initial cash payment and the type of installations affect the final price of the product or service in all sectors.

Although bargaining is an old market "bazaar" custom, the negotiable nature of the price is in fact a part of the inflationary economy. The rules and regulations of chambers and business associations about fair competition and price determination are inadequate and inefficient in the survey areas, and there are no systematic controls and sanctions imposed on firms which break agreed prices. This situation creates highly unstable market prices, particularly among small producers. It also hardens the price control among firms which produce or sell similar goods. This also has a negative effect on business relations in the local economies resulting in a low level of confidence and trust among businessmen and clients.

Table 9.6- Price determination of goods and services

Price determined by	Number of firms and percentages by sectors(*)			
	Commerce	Manufacturing	Construction	TOTAL
bargaining	59 (79.7)	57 (85.1)	61 (81.3)	177 (81.9)
looking at market prices	59 (79.7)	33 (49.3)	51 (68.0)	143 (66.2)
adding a profit margin	11 (14.9)	53 (79.1)	37 (49.3)	101 (46.8)
bidding price	1 (1.3)	9 (13.4)	21 (28.0)	31 (14.3)
contractor decides	7 (9.5)	9 (13.4)	7 (9.3)	21 (9.7)
Other (**)	30 (40.5)	1 (1.5)	12 (16.0)	43 (19.9)

(*) More than one type is stated by firms. Therefore, total percentages do not sum to 100%.

(**) Price lists of factories are observed in commercial sector firms. Share of land owners and cooperatives affect the price in construction firms.

9.3.3 How growth and survival are maintained

There are various survival strategies for small business. However, it is hard to measure the effect of the strategies and effect of different business forms upon the growth of the small business sector. The market entry costs of small firms are lower than for a

large firm. Therefore, there are more firms competing with each other in small businesses. Entrepreneurial strategies which aim at capital accumulation and speculative interests may not serve the growth of the business. We summarize below some of the survival strategies we observed in local markets.

Diversification of capital: The diversification of capital is one of the common practices among small businessmen. Small business owners commonly undertake some other trade alongside the main business. There are various partnership structures and business engagements between friends and relatives. One common strategy of capital diversification is investing in buildings and land. These not only aim to secure capital gained in the business but also to grasp opportunities in the market for further profits.

Market segmentation: Small firms are very sensitive to fluctuations in market demand. There are various periods in which business volumes fluctuate in the local and regional markets. For example, harvesting seasons, visiting periods of Turkish workers from abroad, particular festivals and religious celebrations, cause a demand increase for market goods and services. Farmers buy consumer durable goods after they get money from the harvest. Turkish workers abroad buy their flats, land and consumer goods or arrange business deals during their holidays in Turkey. In addition, there are seasonal differences in the types of goods sold in the market, such as sales of refrigerators in the summer. Entrepreneurs follow these changes and adopt new strategies for marketing different range of goods. Another pattern is the segmentation of customers according to their capacity to buy. Firms exploit these market segments by offering various goods and services.

Under-cutting prices: Bargaining, as an old tradition in Turkish society, is often a part of business deals (see Table 9.6), not only between businessmen and customers but also among firms. Customers visit different firms and bargain over the price. Small firms compete with each other by lowering their prices to gain customers. Under-cutting prices

and diminishing the quality of goods are widely practiced by small firms in periods of low demand and business crisis. Business owners also offer lower prices to their close friends and relatives. This situation does not always work for the benefit of clients, because business owners develop various strategies to cope with the narrowing profit margins by offering different payments and installments.

Family involvement: Family involvement is crucial for survival and growth. Not only unpaid family labour, long working hours and solidarity but also utilization of family resources, inheritance and experiences of individual family members increase the competitive power of small firms in the survey areas. Relatives and immediate family members who are doing business often support each other in business matters. However, the effect of family involvement in the business is not always beneficial. As the survey results indicate, there are many cases in which conflicts or different interests among family members cause splits in firms or partnerships.

Political, ethnic, religious alliances: Entrepreneurs use certain alliances to get further advantages and opportunities in the market. Beside the support of immediate family members and relatives, there are various clusters of interest groups sharing similar attitudes and ways of thinking. Although, it is hard to analyse in depth, political and religious alliances among businessmen are important features. Similarly, religious solidarity in Kayseri among Alevis and ethnic solidarity among Kurds in Gaziantep are important for the survival of small firms.

Long term investments: Entrepreneurs invest in other ways in the long term, for example through the education of children and by travelling abroad to get new machinery. Some believed that better educated children can take over the firm and make it a bigger business. Therefore, it is seen as an appropriate investment to send children, particularly sons, to universities and English language courses abroad. At the same time, they buy

workshops in industrial estates and machinery and equipment. There is a significant number of entrepreneurs who participate in business fairs and exhibitions in the country and abroad. These have important effects on the perceptions and future aspirations of businessmen.

Regional boundaries: Regional boundaries of markets and infrastructure facilitate small firm growth and survival in local markets. Although there are firms selling goods for regional and national markets, many activities of small firms are highly local. Mobility of small firms or businessmen, and goods and services across regions and cities is rather limited. This intra-regional segmentation creates a protective vacuum for indigenous businessmen. However, there is a limited number of social and cultural activities as well as business opportunities in medium-sized towns compared to the large metropolitan cities. The life in these medium-sized cities is seen as boring and monotonous for those who are university graduates with urban social and cultural expectations.

9.4 INNOVATION, IMITATION, AND QUASI-NETWORKS

This section focuses on innovation, technology and network relations in small firms. Production and service technology in the survey areas are entirely dependent upon large firms and imported machinery. During the survey, it was observed that producers imitate western European machines from imported samples and/or catalogues. However, the machinery used for this production was mostly from eastern Europe, only a very small amount came from Turkey.

Small firms often try to avoid business competition in local markets by creating new market niches or filling existing ones. Imitation is widely observed in the survey cities. The agglomeration of small businesses in various parts of the cities and the physical proximity of firms facilitate both business relations and imitation. Beside imitation of various products in manufacturing, there is also a widespread imitation of business styles, design and management forms in other sectors. Business services such as management

and marketing consultants, and computer services, have been developing in the survey areas but are not yet widely used by small firms.

9.4.1 Competition and quasi-networks in the local markets

Networks and networking have emerged as conceptual devices for theorizing and researching a number of important aspects of small firms. In flexibility theory it is argued that small firms, through network relations, can compete and reach economies of scale through flexible specialization. The expansion strategies of small firms with their own product lines are conditioned by widespread division of labour that marks subcontracting. Network-firms are useful vehicles to launch new products and facilitate access to new markets and technologies (Lazerson, 1990). The studies of Third Italy show that network-firm structures lead to greater control over the three key phases of the production process: design, final assembly, and marketing. They argue that network firms were useful vehicles to launch new products and facilitate access to new markets and technologies (Trigilia, 1989; Lazerson 1990).

The range of business deals as well as input-output relations show the complexity of vertical and horizontal linkages. As is observed in Table 9.7, there is a wide range of relationship between the sample small firms and other sizes and sectors. It is clearly seen that small firms, medium-sized and large firms have complex business links. Large producing firms and their marketing network have a strong effect on small firms. Most small firms are linked to wholesalers-merchants for their input supply. Only 32.4% of small firm consumer durable retailers have business deals with other small firms while this rate is 87.5% in wholesale of foodstuffs, 85.1% in manufacturing. 96.0% of construction firms have business deals with contractors, who are largely informal sector craftsmen. However, in order to assess network relations we must analyse the type of business relations.

Table 9.7- Business and commercial deals between small firms and different sized other firms and sectors

Deals with	Number of firms and percentages (*)				TOTAL
	Consumer d.	Wholesaling	Manufacturing	Construction	
wholesalers	15 (44.1)	35 (87.5)	41 (61.2)	60 (80.0)	151 (69.9)
other small firms	11 (32.4)	35 (87.5)	57 (85.1)	38 (50.7)	141 (65.3)
medium-large firms	31 (94.1)	36 (90.0)	54 (80.6)	8 (10.7)	129 (59.7)
individuals	13 (38.2)	5 (12.5)	8 (11.9)	64 (85.3)	90 (41.6)
construction contractors	-	-	1 (1.5)	72 (96.0)	73 (33.8)
retailers	-	29 (72.5)	1 (1.5)	-	30 (13.9)
public-state companies	-	6 (15.5)	2 (3.0)	17 (12.7)	25 (11.6)
cooperatives	-	-	1 (1.5)	-	1 (0.5)

(*) More than one type of deal is stated. Therefore, total percentages do not sum to 100%.

The type of relations shown in Table 9.8 illustrate that most of the firms rely on independent orders rather than putting-out or subcontracting. The number of firms with a healthy list of clients and a wide reaching sales network is quite small. The most common practice is to settle for small and often short-lived commissions for shops or wholesalers situated either in the survey areas or towns in other regions. Among manufacturers only one firm in Gaziantep was subcontracting to a state factory and had been for 10 years.

A large number of the firms have "orders" as their primary business source (see Table 9.8). Among sample firms, 92.5% of wholesalers, 92.5% of manufacturers and 67.6% of consumer durable retailers stated that their sales are based on orders from shops, other businessmen and individuals. In addition, 68.7% of manufacturers have putting-out production. Partial franchising is mainly observed in consumer durable retailing (61.8%) and wholesaling foodstuffs (20.0%). Subcontracting is only observed in construction. As explained before, this type of subcontracting is based on informal agreements between team leaders in the various steps of the construction. Many small firms in this sector complained about informal and low quality work in this sector as a result of using temporary peasant workers.

Table 9.8- Type of business or production linkage observed in small firms (*)

Type of linkage	Number of firms and percentages				TOTAL
	Consumer d.	Wholesaling	Manufacturing	Construction	
orders	23 (67.6)	37 (92.5)	62 (92.5)	5 (6.7)	127
subcontracting	-	-	1 (1.3)	74 (98.7)	75
putting-out	-	-	46 (68.7)	1 (1.3)	47
partial franchising	21 (61.8)	8 (20.0)	5 (7.5)	-	34
bidding/public purchasing	-	1 (2.5)	4 (6.0)	11 (14.7)	16
other	3 (8.8)	2 (5.0)	5 (7.5)	-	10

(*) More than one type of linkage is stated. Therefore, total percentages do not sum to 100%.

The structure of network relations and their effect on small businesses in the survey areas are different from what flexible specialization theory describes. It is also important to look at the quality of these relationships. Despite the existence of strategic alliances among small firms and externalizing activities, they do not maintain long term competitive network relations. In network relations companies form partnerships or invest capital in other small firms in order to expand horizontally or vertically. Firms also remain strictly independent legal entities. The evidence of this survey shows that market relations are maintained through family members and close friends. However, the firms remain small and they do not collaborate with other firms. Therefore, they cannot easily exploit advantages offered by more diversified economic groupings, nor can they invest in technological innovation through networking.

There are three main reasons for this. First, the evidence shows that orders rather than subcontracting are the basis of local business deals. This brings short term and unstable network relations. The technology of production, design, and marketing are not controlled and developed by the business networks. Second, collaborative relations are limited due low trust and confidence among businessmen and even between family members. Third, social networks determine the range of business deals with family and close friends. Therefore, we name this 'quasi-networks'.

Other studies show parallel evidence. The study of small footwear firms in Naples in Amin's study did not find well-developed business linkages in the local market. Similarly, in the UK Curran et al. (1993) found that non-economic social contacts are more widespread than sophisticated business networks. It is often suggested that the

encouragement of network formation involves improving the perceptions of entrepreneurs by implementing better information channels. There is also a need for public policy initiatives. Nevertheless, these quasi-networks and the mechanisms of social networks support survival and growth of small firms. It helps to establish connections among different firms and markets and replaces the hierarchical organizational structures of larger firms.

9.4.2 Management of innovation or imitation?

The production technology in small manufacturing firms can be classified into three steps; diffusion and adaptation, imitation and possible innovation. What has been observed in the survey is not innovation but the diffusion and alteration of the current production technology through widespread imitation. Certainly, there is a possibility to move from imitation to innovation in these firms, but the present data do not allow us to conclude that this is likely. However, the survey firms play an important role in introducing and digesting the new product techniques into the local markets and into other small and medium-sized firms. Food processing and packaging, textiles, and cottage industries in medium-sized towns have particularly benefited from this indigenous production, which has facilitated the use of machinery in these sectors by offering low sale prices and cheap repairing and maintenance.

In the flexible specialization debate, the strength of small firms has more to do with increases in productivity through modernization, innovation and new investment. The system of complex subcontracting allows costs and risks to be spread out among a number of firms (Piore and Sabel , 1984; Amin, 1989b; Lazerson 1990). However, the findings of this survey are parallel to some other studies of Southern Europe. There is no empirical evidence to suggest the existence of complex subcontracting and innovation in most Southern European small firms. However, the widespread observation is of imitation of new technologies and products (Amin 1989a; Hajimichalis and Vaiou, 1992; Silva, 1992). For example, Silva points out that there is widespread imitation among Portuguese small

firms and this is strongly affected by other people's success stories. In our survey, we also found that successful businesses are often imitated by other businessmen. This diminishes their profit levels and leads to increasing competition as the number of small firms in a particular trade or production increases and saturates the market.

However, imitation in manufacturing is crucial for the artisanal development of entrepreneurs. Entrepreneurs who were ex-employees and apprentices developed their skills and knowledge of machines through repairing and imitation. They spent long years learning mechanics and the techniques of production through repairing various machinery and imitating them. The crucial problem in these small machinery manufacturers is the widening gap between the capabilities of the recently utilized machinery and current technological changes in the world machinery production. Entrepreneurs are informed about the recent changes in technology. However, they lack the skills and capital, as well as the institutional support needed to obtain up-to-date technology.

The lack of capital and absence of management skills are observed as two main barriers to structural and technological changes. Most of these firms are individual proprietorships or simple partnerships. Poor subcontracting does not allow capital to flow between firms. Many entrepreneurs rely on their credibility in local markets. Unpaid debt is bad for reputations and it is commonly said that "*once your name comes under shade and suspicion, all your business and financial credibility is wiped out*". Therefore, entrepreneurs are reluctant to take the risk of large amounts of credits and business engagements. This is expressed with a Turkish proverb "*ayagını yorganına göre uzat*"; "stretch your legs according to your quilt".

Labour and organizational management

The ability to adopt, adapt and assimilate technical and organizational innovations depends on skills and qualification of both the entrepreneur and the work-force. Small firms are least able and least willing to attract high quality personnel in the survey areas. It is possible for small firms to survive in a low technology, low-wage environment,

alongside larger firms in a high-technology, high wage environment. This labour use is significant for the survival of the firm in manufacturing and construction firms. However, there are costs as well as benefits of using this labour market. There is no significant union organization in this sector and no bargaining power over wages. This is a cost advantage for small firms. Another advantage is that there is no resistance to labour-saving technological change. However, it seems that the availability of cheap labour which facilitates the survival of small firms in fact discourages technological innovation.

Growth and survival of small firms in a competitive market is also related to the adaptation and use of new management techniques. Entrepreneurs do not use modern management techniques in the survey areas but rely on their previous experiences, advice of friends and social contacts.

Engineers are not commonly employed in these firms for three reasons. First, manufacturers are afraid of losing their control over the business if they have an authority on production such an engineer. Second, there is a lack of communication between them. Engineers find it as difficult to adapt to common practice of production as skilled manufacturers find hard to understand theoretical aspects of engineering. Thirdly, difficult tasks in small businesses together with low wages are not attractive for engineers. As some manufacturers explained, *"engineers want to have a clean and comfortable office job"*. On the other hand, several engineer-entrepreneurs in this sector claimed that entrepreneurs coming from an apprenticeship tradition have poor education and do not understand the importance of engineering in their production.

9.4.3 Small firm agglomeration and business services

Small businesses have various geographical locations in the urban areas. In and around the city, they form agglomeration sites. This spatial tendency, with its external benefits, is one of the survival strategies of small firms. Manufacturers and repairers concentrate in fringe areas. These sites are often specialized according to the type of production (i.e. metal works, textile and garment). Organized and planned sites are most

common in this sector. Similarly, commercial businesses concentrate in the central business district of the survey areas. The crucial reason for this agglomeration is to get external benefits from physical proximity. Small firms share information about market and business changes in this geographical context. It also facilitates imitation which, as we have seen, is an important factor in business start-ups. Many business meetings are done through face-to-face contacts. Physical proximity also allows businessmen to consult colleagues and ask help if it is necessary. The purchase of basic consumer goods on credit is an accepted practice in the agglomeration sites. A similar advantage is provided by the use of personal contacts to acquire loans from business friends or within illegal money markets. Verbal communication is the basic channel of information flow.

Old, traditional, locations of small businesses have shifted in favour of new development areas as a result of urban growth. Urban planning has also contributed to this process. Although the survey cities show a tendency toward decentralization, this is realized around outskirts and villages of the urban areas rather than through the diffusion of small businesses to other nearby towns. This type of geographical distribution of small firms is related to the expansion of the local businesses through urban growth instead of the emergence of new industrial geographies like those in the advanced countries. For example, Keeble et al. (1991) show how new formations and small business growth in the UK have different regional patterns. In manufacturing this spatial pattern is dominated by counter-urbanization and geographic dispersion with highest rates of small business development in the service sector.

There is a lack of well-developed business services in the survey areas. However, as Wood (1991) suggests, business service functions form a growing element in the expertise supporting modern capitalism. This has strong implications in the organization of production and patterns of technological change. Business service growth in advanced economies offers new bodies of expertise in the application of information and computing technologies, and in the fields of management, marketing and design. However, in the survey cities many small business owners do not appreciate the importance of getting

expertise services which contribute functional integration between firms. There is a low level of utilization of possible product and service activities. Only consultant accountants are widely used by small firms for keeping financial records and giving some advice. There are very few trade fairs, sales co-operatives, independent buyers. There is no specialized market for consultants or export agents for small firms in the survey cities. Small firms rely on their own resources and social contacts about business matters.

Wood (1991) suggests that the range of expertise required to support modern productive activities, including other services, deserves much greater attention in the theory of economic restructuring in advanced countries. This is equally important for semi-peripheral economies in order to provide basic inputs for a competitive small firm sector. Our observations indicates that, in general, the sample firms have weak competitive power. The growth is not of a "systematic" nature, involving linkages between firms and other supporting business activities. These findings are quite similar to other southern European studies of small firms (Amin, 1989a; Lewis and Williams, 1987).

9.5 BUSINESS PERFORMANCE OF SMALL FIRMS

The business performance of small firms is often compared to large firms. As Storey (1990) suggests, small firms are not simply scaled-down versions of large firms. In many aspects of performance, small firms differ markedly from large and even-medium sized firms. In this research we do not attempt to make a comparison between large and small firms due to lack of data. Instead it would be useful to look at the sample firms and their performance. This analysis enables us to understand the nature of the growth and survival of small firms. There are a series of analyses and hypotheses concerning small firm performance, notably growth. The performance of small firms is more strongly related to firm age than large firms. According to Gibrat's law, which is often referred to in the literature concerning small firm growth, growth is inferred to be independent of firm size (Brock and Evans, 1986; Evans, 1987a; 1987b).

There is some evidence rejecting this argument for small firms. Several studies in the United States find that the growth rate of employment is inversely correlated with initial size and with age. Young firms tend to grow more rapidly than old ones. Evans (1987b) examines the relationships between firm growth and firm age for a sample of the USA manufacturing firms between 1976-1982. This study uses the number of employees as the size measure. The key empirical findings are that, first, firm growth decreases at a diminishing rate with firm size; and second, firm growth decreases with firm age when firm size is held constant for young firms. His results suggest that firm growth is not independent of firm size and age. However, in the study of Contini and Revelli (1990) for the case of northern Italy, departures from Gibrat's law are modest.

There are three shortcomings to a complete analysis of firm growth. First, we are not able to measure the performance and life cycle of each firm historically as there is no systematic data available. Second, we do not have information about medium-sized and large firms for comparison. Finally, the measures of performance and growth do not reflect the real profitability and personal and family assets gained from earnings in the firm. There is substantial capital accumulation and investment outside of the firm through various forms of family consumption and investment. This remains unmeasured in all small firm studies, including this one. However, the survey does offer some evidence on relationships among some parameters.

9.5.1 Measures of business performance in the survey

This discussion investigates a series of hypotheses about growth. Data are based on one point in time rather than including information about the history of each firm. Performance and growth measures are taken as profits between 1985-1990, the legal status of the firm, the current value of assets, the total number of employees and the existence of a franchise. The number of employees is the size measure. Our analyses show a series of relationships between firm size and growth. The results are parallel to the findings of Evans (1987a) in the sense that there is a positive relationship between firm age, size and

business performance. The detailed description of these analyses and results are shown in Appendix C.2.

i) There is a positive relationship between firm age and the size of its assets: The results of Chi-square analyses indicate that there is evidence of strong association between firm age and the value of its assets ($X^2=11.44267$, $Df=2$, $Sig=.003$).

ii) The size of the firm and its assets are correlated: Partial correlation coefficients strongly suggest that if the current value of assets is taken as a measure of growth, there is a correlation between the size of the firm and its growth. The size of the assets increases with the number of employees (Coefficient=0.6104).

iii) Age and education of entrepreneur, and use of computers are associated with the business growth and performance: There is evidence of association between the education of entrepreneurs and profit increases between 1985-90 ($X^2=12.33764$, $Df=3$, $sig=.004$). Those who have high school and more education have excess residuals in the continuous profit increase compared to less educated entrepreneurs. The use of computers is also found to be associated with the continuous profit increases ($X^2=7.50333$, $Df=3$, $sig=.057$). Entrepreneurs who use computers have better performance achievements. The use of computers is independent of firm age. However, the firm's growth is independent of the age of the entrepreneur. Only the old age category of 50-70 has significantly low performance.

iv) There are no performance differences between inherited firms and non-inherited firms: Inherited firms do not have a different pattern of growth from others.

v) There are sectoral differences over the growth and performance: Analyses show that firm growth differs across sectors. Chi-square tests show that in the manufacturing sector there is a strong association between firm size (employment number) and growth measured as size of assets ($X^2=27.99094$, $Df=4$, $sig=.00001$). This is due to intensive use of labour and machinery in manufacturing firms.

vi) Previous job experience of the entrepreneur affects business choice and performance: There is a significant relationship between the sector of the family business

with which the entrepreneur has been previously involved and the current sector of the firm ($X^2=46.52608$, $Df=8$, $sig=.000$). Fathers' occupation is also found to be associated with the current sector of the firm. These analyses indicate that the current business of the entrepreneur is associated with his parental background. Therefore, past experiences, developed in a family business, are influential on the current business of the entrepreneur.

vii) Business earnings are associated with the use of computers: Firms using computers have experienced a continuous increase in their business profits between 1985-90 ($X^2= 7.50333$, $Df=3$, $Sig=.057$).

Table 9.9- Computer use and the business earnings or profits between 1985-90

Profit change	Computer		TOTAL
	exist	non-exist	
continuous increase	22 (62.8) ($z=2.2$)	77 (42.7) ($z=- 2.2$)	99 (46.0)
unstable fluctuation	4 (11.4)	21 (11.7)	25 (11.6)
no change	8 (22.9) ($z=- 2.4$)	47 (26.1) ($z=2.4$)	55 (25.6)
slope down	1 (2.9)	35 (19.4)	36 (16.7)
TOTAL	35 (16.3)	180 (83.7)	215*

(*) Missing cases are not included.
 $X^2=7.50333$, $Sig=.057$

viii) There is a significant association between the firm's growth and the legal status of the firm: As firms grow, they are likely to gain a company status (see Table 9.10). On the other hand, the existence of another shop or franchise is also associated with the legal status of the firm. As firms grow and obtain more than one shop, they introduce a more sophisticated organizational and financial structure ($X^2= 17.89969$, $Df=4$, $Sig=.001$).

Table 9.10- Legal status of the firm and the current value of the business investment

Min investment in 1,000 000 TL	Number of firms and percentages by the legal status of the firm			TOTAL
	Individual	Simple partn.	Other company	
5-100	39 (44.3) ($z=2.4$)	21 (32.8)	3 (12.0) ($z=- 2.7$)	63 (35.6)
100-500	43 (48.9)	33 (51.6)	13 (52.0)	89 (50.3)
500-5500	6 (6.8) ($z=- 2.8$)	10 (15.6)	9 (36.0) ($z=3.4$)	25 (14.1)
TOTAL	88 (49.7)	64 (36.2)	25 (14.1)	177 *

(*) Some firms did not declare the minimum investment capital. These were largely in the construction sector.
 $X^2= 17.89969$, $Sig=.001$

However, there are other aspects determining firm size and company status. Firms which are registered as individual businesses are subject to lower taxes. They are often considered as artisanal enterprises. Many entrepreneurs avoid the costs and risks of company status as they lack knowledge of legal and financial requirements. Much government tax legislation has affected the potential growth of firms. While company status brings advantages for saving personal wealth in a bankruptcy, it brings large taxes. Similarly, business income tax and mass housing tax are charged to firms employing more than 9 workers. Tax exemptions for smaller businesses thus brings some restrictions on the firm sizes. However, many small manufacturing firms keep their registered labour below 10 although they often hire and fire more than 10 casual or part-time workers. This feature could not be fully included in the data.

9.5.2 Entrepreneurs' choice: business growth or wealth?

Entrepreneurs play a crucial role in business growth through their managerial strategies and business choices. In addition, the data analyses show that there is evidence of an association between some characteristics of entrepreneurs and their business performance. However, it is hard to measure how much entrepreneurs have invested their earnings in the current business. Observations and in-depth studies throughout the field survey indicated that a substantial section of business earnings is channeled to family consumption and wealth as is pointed out in Chapter 8. Some entrepreneurs who have better education and qualifications criticised easy-money ridden entrepreneurs, as Mr. Filiz expressed in the case C9.

Case C9 (179-33) Denizli: "They (manufacturers) do not invest money into manufacturing business or technology. However, they buy several apartment flats and luxurious cars while their workplace is unorganized, without a proper toilet and bathroom".

This common practice is, first, due to high inflation rates which trims the value of cash every day. Thus, capital owners have to utilize money in order not to lose its value. Secondly, the volatile economy and high inflation rates offer both quick profits and high risks. By investing into land and property, entrepreneurs try both to secure their money and to make quick profits through land and building speculation instead of making long term business investments. Small business owners sell their properties and cars if they need urgent cash. Thirdly, it is a matter of the perception and skill of entrepreneur, and many lack long term plans and strategic management capabilities. Many entrepreneurs believe that having more capital will solve all the problems of the business. 35.4% of manufacturers think that lack of capital is their major problem. Many think technology choice and skills problems can be solved easily if they have enough capital. Interestingly, only a small proportion of entrepreneurs (6.0%) think that the lack of skills and technology are important bottlenecks.

There is an association between business profits and entrepreneurs' level of education ($X^2 = 12.33764$, $Sig = .006$). In the significance test between business earnings (profits) and the number of employees, only self-employment in the commercial sector has significant residuals. The self-employed have basically stagnant businesses according to this survey results. It is also found that there is no association between the last 5 years of profit (1985-90) and the number of employees in the manufacturing sector. This indicates that the size of firm, measured in employee numbers, is not associated with the last 5 (1985-90) years earnings in all sectors.

Table 9.11- Education of the entrepreneur and business earnings or profits (1985-90)

Profit change	Number of firms and percentages by education of entrepreneur		
	Primary/secondary	Technical/university	TOTAL(%)
continuous increase	46 (38.0) ($z = -2.6$)	52 (55.9) ($z = 2.6$)	98 (45.8)
unstable fluctuation	11 (9.1)	14 (15.0)	25 (11.7)
no change	39 (32.2) ($z = 2.5$)	16 (17.2) ($z = -2.5$)	55 (25.7)
slope down	25 (20.6)	11 (11.8)	36 (16.8)
TOTAL	121 (56.5)	93 (43.5)	214*

(*) Missing cases are not included.
 $X^2 = 12.33764$, $Sig = .006$

There is no evidence of association between entrepreneurs' age and the current value of business assets. In commercial and manufacturing sector firms the entrepreneur's level of education has no significant effect on business profits. However, in the construction sector university graduate professionals are associated with continuous profit increases. Better educated entrepreneurs are more successful in this sector. There is also a growing number of young better educated family members and relatives in the commercial businesses in wholesaling and consumer durable companies.

In terms of age, there is a relatively small overall association between the profits and the age of entrepreneur. But it is found that the age group of 50-70 years show a low performance in the business compared to their younger counterparts as the cell residual ($z=3.7$) show in Table 9.12.

Table 9.12- Age of the entrepreneur and the business earnings between 1985-90

Profit change	Number of firms and percentages by age of the entrepreneur			TOTAL
	20-35	35-50	50-70	
continuous increase	43 (47.2)	45 (50.0)	11 (32.4) ($z=-1.7$)	99 (46.0)
unstable fluctuation	11 (12.1)	9 (10.0)	5 (14.7)	25 (11.6)
no change	28 (30.8)	22 (24.4)	5 (14.7)	55 (25.6)
slope down	9 (9.9) ($z=-2.3$)	14 (15.6)	13 (38.2) ($z=3.7$)	36 (16.7)
TOTAL	91 (42.3)	90 (41.9)	34 (15.8)	215 (*)

(*) Missing cases are not included.
 $\chi^2= 16.79996$, Sig=.010

9.6 CONCLUSION

This chapter has analysed small business survival and growth. There is a dynamic life cycle of small firms with high rates of births and deaths. Small business survival and failure are determined by local market opportunities and entrepreneurial challenges. Entrepreneurs' previous business starts indicate that not only business failures but also partnership changes and new ideas cause new business formations. There are different strategies of survival and growth such as diversifying capital, exploiting of market segments, undercutting processes. Small firms rely on local markets and social networks

in these strategies. However, this study argues that survival of a business does not necessarily lead the firm to grow. There is some evidence that businessmen do not always make investments to improve the current business. There are speculative expectations and luxurious consumptions by the entrepreneur and his/her family financed by the small firm. This is simplified as a wealth seeking impulse, versus investment in innovative and growing business. We argue that the preference for wealth instead of business growth and technological innovation is a strong constraint on SMEs.

Evidence shows that small firms are very vulnerable to macro economic changes and government policies. Small firms have complex input-output relations with various sizes of businesses and sectors. Therefore, they are strongly affected by any business change or any holdups in their supplier or customer firms. Similarly, their business is also very sensitive to any change in the purchasing power of individuals and households in the local markets. Therefore, long term business confidence and trust between entrepreneurs is very much affected by macro trends in the country.

Sustaining the growth of a firm depends upon the continuous development of product and cost advantages. Therefore, innovation and managerial changes are crucial for this process. In flexible specialization, small firms reach economies of scale through networking. So small firms gain the control of product, design and marketing through specialization and modern technologies. However, small firms in this survey have quasi-networks with weak cooperation and temporary business orders. The relationship between large and small firms which affect the growth and survival of small firms through sub-contracting and franchising is very weak in manufacturing and construction firms.

Turkish small firms in the medium-sized cities exploit the expanding urban and rural demand in their regional economies. Evidence shows that small firms imitate and do not innovate. This is contrary to the recent developments in the advanced economies where SMEs have experienced a move to new technologies and new labour relations with a new type of industrial agglomeration (Keeble et al., 1991; Wood, 1991). In this survey, adaptation of new technologies and business techniques is based on imitation. Despite

increasing numbers of skilled and well educated entrepreneurs and workers, this process is largely dominated by artisanal and business traditions and unskilled marginalized labour in the local economies. One other weakness for the growth of these firms is the lack of information, as there is weak institutional support and business services in the local economies.

There is no evidence yet to prove that flexible technologies will promote the increased viability of small firms as suggested by Piore and Sabel (1984). Instead, Turkish small firms in the survey areas seem to be much more fragile in a global environment compared to their north Italian or English counterparts. It is expected that in the future the diffusion of computer controlled machinery in production will eliminate a certain group of artisan entrepreneurs and labour in the local markets. New competition based on high technologies may even jeopardize the societies in the survey cities which have been dominated by small firms and the use of cheap and unskilled labour. Therefore, a move from imitation to innovation and global competitiveness in these small firms will require major changes of capital sources, training and skill development, and strategic planning through institutional support and guidance.

CHAPTER TEN

CONCLUSION

I have argued in this thesis that small firms in a semi-peripheral country like Turkey should be analysed in a manner different from most mainstream theoretical approaches. Hence the aim of this thesis is not only to be a particular case study of Turkey but also to begin to give a broader understanding of small firms in the semi-periphery. The empirical research on small firms in three Turkish cities points out that small firms have very similar features irrespective of their different regional contexts. This suggests that it is possible to argue that the findings of this survey are general to the SMEs sector in Turkey. The thesis also provides new information and an analytical framework which can be applied to the analysis of small firms in the Southern Europe semi-periphery.

Five themes of inquiry have been proposed and proved to be important analytical areas for small firm research. First, what is happening in regional economies and small firms of the semi-periphery needs to be questioned in the light of recent changes in the economic geography of the semi-periphery. The thesis proves that indigenous small firms have played a leading role in the growth of medium sized urban centres but this process has been very different from the experiences of advanced economies. Second, a novel aspect in the thesis is the range of sectors analysed in addition to manufacturing. It is shown that there are various processes experienced by small firms in different sectors which deserve special attention. Therefore, it is inappropriate to make generalizations about small firms as being traditional or backward without looking at their sectoral context. This thesis has shown that various sectors experience different trends of integration, transformation and crisis simultaneously in the same local economy.

Third, I have analysed in this thesis the anthropological characteristics of small firms. It is clear that in the semi-periphery anthropology is as important as economic aspects in how SMEs develop. Small businesses are very personal activities that are supported by cultural and social associations. Family, friends and social networks are not only a part of business practices but they also provide the means by which skills develop and opportunities arise for survival in local markets. In addition, ethnicity, religion and gender roles affect the survival of small businesses. Fourth, this study has shown that small firm entrepreneurs are not generally innovative and creative figures, but rather opportunity and profit seekers. They largely imitate and seek low risks by relying on friends, family members and local networks in their business practices. Capital accumulation in the hands of local businessmen is a driving force for new small firm formation but wealth seeking is often a brake on innovation. However, the social class and educational background of entrepreneurs vary substantially and this has a significant effect on business performance.

Finally, small firms and their business owners are subject to many challenges from changing economic forces. There are a series of factors which affect the growth and survival of small firms. This study argues that small firms largely rely on local and regional demand, and market niches. Regional and local economies are not entirely open to national and international competition. The availability of cheap labour and the support of family members reduces costs and facilitates survival. The survival of the small firm is seen as an entrepreneurial challenge. Typically entrepreneurs repeatedly experience business changes or failures and develop new business formations. In many cases the death of a firm is a beginning of a new business for the entrepreneur. The strategies of survival and growth are observed in the forms of diversification of capital investment, market segmentation, family links, local alliances and undercutting prices. Small firms in this study do not innovate but largely imitate the technologies and strategies of other businesses. In this chapter I will summarize the basic findings of the thesis in each analytical field before commenting on the general implications that can be drawn.

Medium-sized cities

The research shows that there has been substantial economic growth in medium-sized urban centres since the 1970s. These centres have attracted little large scale public or private investment. Their economies are dominated by small firms. The big gap between large private and public companies and traditional artisanal works has been filled with small and medium-sized capitalist firms during last two decades. This development of SMEs has co-existed with the emergence of the medium-sized towns in Turkey. This study shows that Gaziantep, Kayseri and Denizli, despite the differences in their regional context, share this trend with their growing SMEs. These centres are also attracting migrants from their regions as well as experiencing economic growth. The role of government investment in social infrastructure has been a catalyst but most growth comes from the indigenous growth of the towns. As Turkey does not have autonomous regions, government investments have been affected by the political pressure coming from the provinces as well as their size.

This research has found that the economies of the survey cities are dominated by indigenous small firms. They have experienced substantial capital accumulation in their local markets. Small firms utilize local capital and are driving forces of the local economy. General features of small firms in these medium-sized centers do not vary substantially. Anthropological aspects, the structure of the local labour market, difficulties of start-up and survival are all quite similar across the survey cities. The major role of the survey areas is that they are spatial containers of local ties of friendship, family and social networks. These links are all articulated within the context of spatial proximity. Social and cultural associations like predictability, trust, and loyalty, which are valuable to the intimate and highly personal structure of small firms, are also spatially formed and maintained among individuals.

However, there are several significant differences between these cities. First, there are important differences of experience of urban growth affecting small business development in these cities. Gaziantep, which is largely controlled by entrepreneurs from urban classes, provides little opportunity for the easy entry of migrants. However, Denizli

as a recently growing city, is largely dominated by the first generation of rural migrants. They are able to draw on the relatively rich agricultural sector which has provided capital for small firms in Denizli. In contrast, the semi-feudal structure of agriculture in Kayseri and Gaziantep has not provided agricultural capital to firms but instead has been a source of cheap labour for small firm development. These findings are supported by significance tests of the survey firms. They indicate that entrepreneurial characteristics, the family background of entrepreneurs, and age of firms are geographically associated.

Second, the different local traditions of craftsmanship and entrepreneurship have led to differences in small firm development between the sectors in each city. Gaziantep, which has a long tradition of master craftsmanship, has had a strong development of the manufacturing sector without any government investment or large capital inputs. Local businessmen have utilized their capital and skill in various industries. This process has been helped by the connection of the city with major road axes. Kayseri has long been a trade centre. Its entrepreneurs have an acknowledged reputation as clever and business-wise. The size and extent of the trade in the city have encouraged small business development. Denizli has been a centre of a rich agricultural sector, and also a trade and weaving industry. This has facilitated capital and labour supply to the growing city economy.

Third, the indigenous SMEs in these cities have played a substantial role in the integration of the cities with the national economy. SMEs have distributed services and produced goods for local and regional demand and emerged as a bridge between rural and metropolitan economies as well as between consumers and large factories. This has been crucial further for regional economic development. Gaziantep, Kayseri and Denizli have acted as centres of diffusion of technology and the development of skills in their region. Their physical proximity and business connections with metropolitan centres in the country has been crucial in this process. However, they are not powerful enough cities to initiate economic development in their region due to lack of infrastructure. Agriculture remains the main economic activity in their regions.

Sectoral integration and change

This study shows that there are different trends in the business practices and survival of small firms in different sectors which parallel changes in the national economy. There is thus no single factor of change and development of small firms, but many patterns for each sector. In this research each sector has been found to be dominated by trends in the national and local economies.

The consumer durable retailers in the survey areas are integrated with the large firms of metropolitan centres through franchising and marketing networks. This is a modern business which has developed in parallel with the domestic production of consumer durable goods. Several large producing companies in the country have controlled marketing and distribution. In this context small firms are local "agents" of large marketing and producing companies and diffuse new consumption behaviours and goods into local markets.

Wholesaling of foodstuffs is experiencing a major transformation of distribution and marketing networks. This business has long relied on regionally-based markets and seasonal buying. Parallel to the development of the food and packaging industry, supermarkets and distributing companies have been replacing the role of traditional wholesaling. There are geographical variations in the diffusion of this change. Kayseri and Denizli have experienced growth in their marketing companies and supermarkets, while Gaziantep wholesalers have been able to maintain their business with only small alterations as a result of the regional focus of demand and local business structure.

The manufacturing of machinery and parts sector in this survey is at the limit of its production capacity. This sector is experiencing a crisis of technology and skills. It has developed parallel to the industrialization and diffusion of technology in the survey areas. During the import substitution years of the 1960s and 1970s the mechanization of agriculture, the development of food and textile industries and the increasing use of motor vehicles increased demand for the repairing and production of spare parts in these cities. The introduction of lathe machines and the increasing number of training schools have had

a strong impact on skill development and production. Machinery was mainly produced for the textile and food industries and agricultural production. However, small manufacturing firms in the survey areas are now far behind the level of technical skills and technology of equipment in advanced economies. Computer controlled machinery is urgently needed for their survival and competition in national and international markets. However, neither the current level of capital accumulation nor the qualifications of entrepreneurs are ready to make such a transformation. These firms produce traditional machinery and parts by utilizing old machinery and cheap labour. Traditional apprenticeship systems do not provide appropriate skills for such a change and employment training schemes have proved inadequate.

In the construction sector legal housing construction is run by modern businesses with a substantial proportion of university graduate professionals in the sample. This sector largely employs temporary workers from rural areas and few technicians and master contractors. Building construction for local markets is organized in a number of different ways. Firms diversify their market through housing cooperatives, private land owners, individual customers and public bidding. Small construction firms provide a case of the formal and informal dichotomy. Labour use and subcontracting are based on informal and short-term agreements. Master workers (*tasaron*) and their teams are hired by the construction firms for each task of building construction. These masters and workers mostly come from villages and townships of the survey cities. Master contractors bring their fellow villagers, relatives and friends and employ them in construction sites without any written contract or legal registration. In this dual structure, construction firms try to diminish their labour costs by maintaining informal labour use and simple construction techniques. However, high land values and speculation prevent capital accumulation in these firms.

Data analyses also showed large sectoral variations regarding employment size, capital formation, entrepreneurial backgrounds and the geography of input-output relations. Commercial businesses have few employees and are often dominated by family and

relatives in the firm. Manufacturing and construction have a larger number of employees, but due to team work and the informal use of labour, the actual number of employees in the construction sector cannot be counted. Therefore, the criterion of employment size is not sufficient to make comparisons between sectors. There are also large differences in terms of the size of assets among small firms. An interesting result in this survey is that the family and educational backgrounds of small business owners vary widely across sectors.

As far as input-output relations are concerned there are significant sectoral differences. This reflects the variety of small business practices in local and national markets and survival strategies. Manufacturing is a sector which has wider sources of inputs than the other survey sectors. Linkages among small manufacturing firms, wholesalers, and large private and public companies indicate the importance of this sector in the local and national economy. Consumer durable retailers have only individual customers. They supply goods from wholesalers and large factories. Wholesalers are intermediate businesses between small shop keepers and marketing and producing companies. Construction firms supply their input from local wholesalers. Their customers are largely individual families, with a small proportion of orders from public agencies, contractors and real estate agents.

Anthropological aspects of small firms

Some aspects of small business practices can only be analysed within an anthropological context. The involvement of family and business friends is very important for the survival of small firms in local markets. As trustworthiness, reliability and loyalty are essential aspects in day-to-day business practices, entrepreneurs seek to secure these values by relying on social associations, such as friendship, countrymen and kin ties. These types of relations are crucial for small firms in order to guarantee capital accumulation and growth. This leads them to be very firmly reliant on local and regional markets. The main difference between large and small firms in this context is that the personal structure of the business organization in small firms is strongly affected by the

common values and traditions in society. Family, friends, ethnic and religious ties are important social assets for small firms. They provide necessary market links for the business, knowledge of the business environment and a network of information about the market changes through discussions. The division of tasks among family members and employer/employee relations in the firm are also based on the identification of individuals according to the social associations and values.

The importance of family involvement has several forms and different rationales. Families which hold capital invest in local businesses. Therefore, in many cases we should not regard an entrepreneur as an individual, but as a family with a strategy and solidarity in small businesses. The survey demonstrates strongly that family sources and heritage are critical to the establishment and survival of small firms. It provides capital and an established reputation in local markets. Secondly, family provides a source of employment and partnership through various business activities run by relatives. Firms employ family members and this is strengthened by family investments and shareholdings: most commonly in the form of a partnership between father-son(s), or brother-brother. Thirdly, the family provides skills and work experience for the entrepreneurial development of young family members.

The family is not the only asset of small firm owners. Also crucial are contacts and the building of a good reputation in the local market, where informal relations and friendships solve problems and bring advantages. The data analyses show that more than half of the sample firms indicate that their main problems in early establishment were to get known in the local market and to find personal resources. This is an indication of the importance of local ties and relations in the absence of institutional support for the small firms. People get to know each other and construct a common ground. This research clearly shows that friendship and countrymen (*hemseri*) ties play a crucial role in the day-to-day practices of small businesses. More than half of the sample firms stated that they would ask their business friends and colleagues if they needed urgent cash. Not only primordial ties but social networks of businessmen within different circles of urban society

strengthen friendship ties and provide an ideological and political common ground through sub-divisions of social networks. Local business associations, cultural organizations, supportive charities, and political parties are places where entrepreneurs seek a public image and reputation.

Despite the significant role played by families and friends, the atmosphere of small businesses is largely dominated by male business owners and workers. Women are largely excluded from small business ownership as well as employment. The survey sectors are thought inappropriate for female employment in the sample firms. Sex-typing of jobs and patriarchal values determine the female roles in local markets. This study showed that the recruitment of workers is very much affected by cultural values and beliefs rather than skills and credentials in small firms. Male entrepreneurs and their perspective of women carries a conflict between modern and traditional patriarchal values regarding the equality of the sexes. In addition, apprenticeship and small business traditions have maintained and reproduced the male domination in small firms throughout the survey cities. However, the role of women in small businesses is like an iceberg. There are more invisible parts in their involvement than the statistical survey indicates. An increasing number of professional women are business partners in the construction firms. Women, as customers, have a strong effect on the sales and type of goods and services provided by small firms particularly, in housing construction and consumer durable goods. Women are also investors. Their own assets from fathers and family, and dowry are invested in small firms by male members of the family. They support social and friendship networks of the entrepreneur through their social activities, home visits and kinship ties.

Characteristics of entrepreneurship

Entrepreneurs do not come from a particular social class. There are strong spatial and sectoral differences regarding the social and family background of small firms owners. The survey cities have experienced different patterns of urban growth and rural migration which have affected small business growth and entrepreneurship. The concept of

entrepreneur in this study is not used in the sense of a simple definition of an innovative and creative personality. Contrary to this view, there is strong evidence which indicates that small firm owners follow profit opportunities and low risks in the local market. Their investments might be unproductive and speculative as they try to secure capital gains in a high inflation economy. However, entrepreneurial strategies also include responding to the continuous challenge to survival and the need to adopt new business strategies.

Entrepreneurs' strategies for seeking opportunities and adopting new business or technology to their needs appear to follow two basic, sometimes contradictory, processes in small firms. These are business growth and the search for wealth. Entrepreneurs' reasons to start-up the business are largely motivated by a search of wealth and the utilization of family or personal resources, skills or capital. This indicates that the small firm entrepreneur has different motivations for setting up his/her own business than the marginal or informal sector jobs of the urban poor. Limited job opportunities and career prospects in the survey areas affect the early orientation towards self-employment.

However, small firm entrepreneurs have not been in a desperate search for employment and income, like the urban poor, but rather have wanted to acquire wealth through utilizing their family or personal capital and/or skill.

The first generation of rural migrants and the urban classes of artisans and traders are the two main sources of small firm entrepreneurship. In general, there are two types of entrepreneurs within these social backgrounds. The first group relies on their apprenticeship experience and local business traditions. The second group has better education and professional knowledge. There is an increasing number of professionals in small businesses, particularly in construction. Birth places and the fathers' occupation of small business owners show that most of the sample entrepreneurs come from families in which fathers were artisans, small traders, and middle class civil servants. However, a significant proportion of sample entrepreneurs come from peasant families. For example, more than half of the sample manufacturers come from peasant families which are involved in cottage industries and have fathers in manufacturing. The occupation of the father has a

strong effect on the type of the business. Similarly, university graduate professionals in the construction sector largely come from civil servant families or families of teachers and clergymen. This indicates first the effect of fathers' occupation and/or the orientation of children towards higher education or early business involvement in the family: entrepreneurs' business choice is affected by their male models in the family and social community. Second, the experience and business credentials of fathers and other members of the family have provided the readily-available sources of experience, local reputation and support for the sample entrepreneurs.

The previous work experience of business owners is essential for small firm establishment and survival as formal training and educational backgrounds do not offer an appropriate foundation for entering small businesses. Social contacts and the family offer a shelter by providing employment, partnerships and business advice for the development of entrepreneurial experiences. They also help to build local contacts and reputation. There is often more than one business involvement by entrepreneurs and these often include former employments in family firms or other small businesses. Previous work experience serves to develop practical knowledge of the business and helps to build a business environment from the social environment. Most entrepreneurs develop their work experience in the same sector as their current firm. Hence small firm owners maintain and imitate common practices. The spatial mobility of entrepreneurs from their previous job involvements is mainly limited to their current location city and there are few immigrants from other cities. Only university graduates have some work experience in cities other than their birth place. This is particularly common for those who had their university education in metropolitan cities such as Istanbul, Ankara and Izmir.

There is some evidence to suggest that small business owners are insecure and suspicious about large firms. The main concern is to secure and maintain business profits in a volatile economic environment. Competition from other small businesses, large capital owners and high inflation rates put constraints on small businesses. This creates a low-trust and high-suspicion environment in employer/employee relations in the firm as well as

among entrepreneurs in local markets. Partnerships among family members and friends often break up due to personal arguments and mistrust. Entrepreneurs and family members are also reluctant to distribute responsibilities and managerial control to the technical experts in their firms. Growth and survival have two sharp edges. On the one hand, the entrepreneur wants a big and profitable business, but on the other hand, s/he resents making the necessary changes, redistributing tasks and employing professionals in the business. Low trust among individuals, even among family members, and verbal contracts cause problems for business growth. Partnerships do not last long, capital and profits are held for personal reasons rather than the continuity and expansion of the business. Parallel to this psychology many entrepreneurs who come from peasant backgrounds express anti-state and anti-regulation feelings and mistrust state bureaucracy, in addition to large firms and university graduate professionals.

Survival and growth in small firms

The survival and growth of small firms are linked by two processes. One is entrepreneurial strategies and the other is market opportunities. It is found that the critical period of survival is 3-4 years. This is the period in which small business owners establish their reputation, develop business contacts and gain the trust of business customers. Easy entry and the expansion of demand in the local market has encouraged small firm survival and growth, particularly in commerce and construction. Paradoxically, factors for success are also reasons for failure. Business owners who cannot develop business links and exploit market opportunities fail. There is more than one previous business failure in the experiences of most small businessmen. Partnerships break apart and new ones are formed in this process. This dynamic nature of small firms is an outcome of entrepreneurial strategies and new market opportunities or business crises. Business premises can close down but the entrepreneur continues to seek new formations. Therefore, business and entrepreneurial failures ought to be regarded separately. However, there are old established families and entrepreneurs in the local markets. So, the survival of businesses is also

strongly linked to the survival of the family capital of the rural aristocracy and old urban merchants.

The significance tests show that the business performance of small firms is correlated with the firm's age, the entrepreneurs' education, previous job experiences and sectoral trends. The result of the partial correlation and significance tests strongly suggests that there is a correlation between the size of the firm and the value of firm assets. Similarly, there is a significant association between the age of the firm and its growth. Also, entrepreneurs who have better educational qualifications and who use computers have experienced better business performance. However, there are sectoral differences in firm size and growth. When the number of employees is taken as the size measure, only manufacturing shows a significant association between firm size and growth. In this sector employment size increases with the increase of business assets.

There appear to be an important set of business strategies which help to maintain growth and survival. First, diversification of business earnings through investments outside of the firm is one of the most common practices in the local markets. Second, small firms target various segments of the market and exploit market niches through seasonal and periodic changes of products and services. Third, in an economic crisis or severe competition small firms under-cut market prices and compete with each other rather than with large firms. Fourth, small businesses use social and political alliances to get further advantages and opportunities in their market niches. Fifth, family and friend involvements are crucial for survival despite the break-up of partnerships. Sixth, some long-term investments are made, such as the education of young family members or investment in new machinery. Finally, small businesses rely on the regional boundaries of their markets which are largely protected from outside competitors and non-local businessmen. However, sustaining the growth in the firm depends upon the continuous development of products and maintaining cost advantages. Innovation and managerial changes are crucial for this process. Contrary to the flexible specialization theory, small firms in this survey do not specialize through networking. They rather have quasi-

networks with little cooperation but many rivalries. They have a weak control of the product, design and marketing chain. Most of the business relations are based on temporary business orders. The business linkages between large and small firms in commercial sectors are often in the form of subcontracting and franchising, but this is very weak in the manufacturing and construction firms in this survey. The Turkish small firms survive and grow in the medium-sized cities by exploiting the expanding urban and rural demand in their region. Evidence shows that small firms do not innovate but imitate. This is contrary to some of the recent developments in the economies of advanced countries which experience new technologies, changed labour relations and a new type of industrial agglomeration through new small firm formation. In addition, in Turkey there is no supporting mechanism for small firm growth and innovation at the local level. Small business services in management, marketing and computing are not developed in the survey cities, either through the government or through the private sector and chambers of commerce and industry.

Entrepreneurs indicate two major obstacles to business growth: cash flow and problems of the national economy. They point out that discontinuous cash flow is a major problem. Many small firm owners complain about delays in return payments and informal business deals which prevent them taking any legal action. There are also cases of fake cheques and bonuses in local markets. Bankrupt firms often cause a chain of crises in local markets due to their debts and business agreements. In addition, the legal course for getting payments or debts back takes a long time and frustrates entrepreneurs. As in other business matters, social contacts, families and ethnic origin sometimes replace the legal procedure and mediate the interests of the entrepreneur. The survey evidence shows that small firms are vulnerable to macro economic changes and government policies.

Entrepreneurs claim that high inflation rates, credit and incentive policies of the governments are barriers to small business growth. Small firms have complex input-output relations. They largely get raw materials and goods from the state factories and big private firms. Price increases, strikes and inflation affect the prices of products and services of

small businesses. Similarly, their sales are very sensitive to changes in the income levels and purchasing power. When demand is squeezed, small firms suffer. Therefore, management in the national economy, besides the small firm policies, have direct and indirect affects on small firm growth and the health of local economies. The survey areas are dependent on the national economic changes rather than having their own local economic trends.

Limitations

One of the limitations of this research stems from the lack of previous literature in the semi-peripheral countries and recent empirical data on various aspects of small firms in Turkey as well as in other Southern European countries. Similarly, there is very little work on the geographical distribution of economic activities across regions in Turkey. This has affected the organization of the thesis and comparisons of the research findings with other small and medium-sized cities. The lack of previous research has made it impossible to identify any regional shifts in manufacturing and service activities across regions in Turkey. There is no adequate research which analyses trends in the geographical distribution of industrial establishments and the sectoral composition of small and large firms in the country. Such information would have allowed us to put indigenous small firm development in medium-sized cities in a broader context. Another issue has been the difficulty of obtaining any time series data on the birth and death rates of small firms by sectors and cities, or indeed nationwide. This has limited the interpretation and understanding of spatial and sectoral variations and trends since data on business start ups, success and failure rates were not available. In addition, employer/ employee relationships, partnership structures and profit or earnings from the business and other investments of business owners were delicate issues about which entrepreneurs were reluctant to give full information. Although observations, case studies and local informants provided some depth in these issues, this part of the investigation has remained more limited than other aspects. Finally, business success, growth, and anthropological aspects such as network

relations, ethnicity and religion are very complex issues and require more detailed attention and further research.

Theoretical implications

The approach of this thesis is new in the literature of small firms in the semi-periphery, as well as in Turkey. Most previous studies concerning local economic development and small firms in the Southern European countries have been limited by a narrow empirical base and depth. Studies of indigenous development in Southern Europe generally lack further research on sectoral and spatial trends in small firm structures as well as relationships between small and large firms (Lewis and Williams, 1987; Vázquez-Barquero, 1990; Garofoli, 1992). Furthermore, the debate about local economic development and diffuse industrialisation in Southern Europe, as pointed out by Pecqueur and Silva (1992) and Hadjimichalis and Vaiou (1992), needs further empirical research on small business dynamics and growing intermediate urban centres. Policy-oriented studies and local development initiatives seem generally to over-simplify the conflicting interest among capital and business owners, employers, local agencies, and local people as well as long term business interests (Vázquez-Barquero, 1990; Stöhr, 1990). Studies of Dokopoulou (1986), Del Monte and Giannola (1986) and Amin (1989a) bring valuable insights to the issue of survival of small firms and entrepreneurship, but fail to analyse sectoral variations.

Similarly, the previous small firm studies in Turkey have tended to concentrate on the nature of small manufacturing and have tended to analyse this through dichotomic approaches such as modern-traditional, formal-informal and petty commodity production. The debate has tended to be dominated by sociologists. Although they have greatly contributed to the literature and scholarly discussions in Turkey, these studies have underestimated the changing role of small businesses in various sectors in the Turkish economy and their effect on urban and regional economies. The economic growth in small and medium-sized cities and the changing economic geography of the country have been

overlooked. Leading scholars in the field such as Ayata (1991), Aktar (1990), Dikerdem (1980), have all focused on one case study area and one sector, mainly manufacturing, without any regional and sectoral dimension, or, like Müftüoğlu (1989) have remained very general and abstract. Policy-oriented studies of various institutions and government bodies have tended to follow the international trends in their rhetoric and have been influenced by international organizations such as the European Community, the International Labour Organization and the International Monetary Fund (IKV, 1988; Sögüt and Balak, 1988; Küçük Sanayi, 1989). Despite some emphasis on analysing small firm economics, spatial and sectoral dynamics of small firm survival and growth, and anthropological features, have not been examined in depth. As a result, the personal characteristics of small business owners and their business experiences, cultural associations, geographically specific support networks, gender and ethnicity have all been underestimated in these small firm researches in Turkey.

Issues about small firms have attracted many scholars from different backgrounds and disciplines as wide as sociology, psychology, economics, and geography. Despite their contributions to small firm research, it is often hard to compare different research methods, findings and discipline-specific arguments. Moreover, this large amount of research and scholarly work has concentrated on the experiences of advanced economies in which the UK and the USA lead the debate. Arguments and the construction of theories about small firms have been based on the experiences of advanced countries since the 1970s. Small firms in the developing countries have long been treated within dualistic approaches in which it was envisaged that small firms would be eliminated or play subordinate roles in the process of capitalism and modernity. Marxists have argued that small artisanal firms were pre-capitalist forms of production. However, the world economy, international division of labour and technology have evolved. Similarly, the role and prospects of small firms are changing. Hence our conceptualizing and theories should grasp these changes and explain them. The old division between domestic artisanal and craft works, and large national and multi-national capital in developing countries does not

reflect the real picture, at least in semi-peripheral countries.

I argue that our understanding of small firms in the semi-periphery should be altered in the light of these research results. The contributions of this thesis widens the set of analytical themes which must be examined to understand small firm development. This provides a new research agenda for the semi-peripheral countries. As shown in the empirical findings, there is little evidence to prove the validity of flexible specialization or dichotomic approaches in Turkey. In my approach I do not argue that modern small manufacturing will bring economic development to the developing countries, as Staley and Morse (1965) proposed almost forty years ago. Nor do I conclude that small firms in the semi-periphery are backward forms of capitalism. Instead, I think that our understanding and conceptualizing of small firms in the semi-periphery should be widened to take into account anthropological characteristics, economic features, and spatial dynamics of small firms. Each is further developed below. These analytical themes have been addressed in the thesis through three dimensions: national, local and sectoral characteristics.

Anthropology of small firms

This research has shown the importance of anthropological issues in the establishment and survival of small firms. I argue that small firm studies in the semi-periphery should give a particular emphasis to the role of family, kin, friends, ethnicity and religion within national, local and sectoral domains. There are significant differences in the social, cultural and institutional structures and behaviours between countries and regions. But there are also underlying similarities in the Southern European countries partly due to late industrialization and urbanization. The ties of family and relatives, religion and local traditions have been maintained in towns and rural areas. Fordist mass production, physical and local infrastructure have never been strong except in the large metropolitan areas. As a result small firms have developed through local traditions of entrepreneurship and have relied on family and social links. This structure has often replaced the weak institutional support. The argument of whether anthropological aspects, associated with

locality, support the survival of economically inefficient small firms in the semi-periphery more than in advanced economies needs to be questioned. I have argued that social networks and ethnic religious associations help small business survival and growth but it might also lead to inertia in small business development because it reduces competition over technology and can lead to mediocrity in innovation. However, anthropological associations form the business networks encourage new firm formation and entrepreneurial development through various channels such as traditional apprenticeship.

The anthropology of small firms has not been much investigated in the current literature. Many studies show that the family involvement and social contacts of entrepreneurs affect small business practices, but there is a need for further research to describe the role of family and friends in the small businesses. Furthermore different cultural associations, ethnicity, politics and religion determine highly personal small business practices. These characteristics not only vary across nations and regions but are also affected by the type and the nature of the business and its skill level, technology and capital requirements. Issues such as employment of women and children, skill and educational requirements, and the role of family and relatives are often determined by the nature of the product and services of the small firm. As anthropological and cultural behaviours change over time, it would be interesting to analyse their effect on small firm practices such as family partnerships, the indirect and direct role of women, ethnicity and local politics.

I have shown that some aspects of small firms in this survey are parallel to other studies in semi-peripheral and advanced countries. This leads us to question what the basic similarities are of small firm organization across various regions and countries. One important generality is the desire of business owners and families to hold total control of the business matters and profits. This creates an informal, organic day-to-day management in small firms in almost all countries. Personal and family capital is also of crucial importance for small business formation and management in all countries. Therefore, the

theories of small firm development ought to assess the interplay between the anthropology and economics of small firms.

Economic features of small firms

Evidence suggests that small firms are dependent upon the performance of the regional and national economies within a particular sector. The sectoral composition of the domestic economy and the performance of large firms affect small firm development in various sectors. Survival and growth of small firms are very much affected by macro economic changes, but there is also geographical variation between cities and regions. Increasing movement of capital and technology across countries and regions is rapidly changing national and local economies. Small firms in the semi-periphery do not show a unique structure. It is rather a complex process as there are various forms of small firms with different levels of technology and sectoral and geographical integration. This indicates the co-existence of different small business practices and processes. The thesis has demonstrated that traditional artisanal and informal businesses, businesses integrated into large capital and competitive markets, as well as small firms in the process of technological transformation and adaptation, each co-habit in the semi-periphery. Each of these business forms fills a different niche in local or national markets. There are also complex relations between different sizes of firms in each sector. Small firms sometimes produce goods and services for large firms. They subordinate and/or cooperate with large firms and diffuse their goods and services at local level, or they produce similar goods and services alongside large firms. They might even fill market niches which large firms have abandoned. This co-existence of various forms of small firms within different market niches in the semi-periphery has a parallel with Berger's (1981) theory of the survival of the traditional sector in advanced economies. The organic structure of small firms, based on family involvement and social networks, is a common characteristic between advanced economies and semi-periphery. This underlines a major characteristic of small firm economics which needs further inquiry.

Small firm theories should explain the different dynamics of sectoral trends and co-existence of various small firms with different structures of capital, technology and production or services. Transformation, change, and backwardness can be simultaneously valid for these small businesses, as shown in this research. Different processes of capital accumulation, skill development, and technology among small firms should be examined in theoretical approaches. Despite the increasing viability of small firms due to new technologies, these developments do not occur evenly across countries, sectors, or even in the regions in the same country. This shows that the flexibility theory of Piore and Sabel (1984) is not valid for all sectors, regions and periods of development. There is a slow technological diffusion in the semi-periphery. This is also linked to the behaviour of large firms and multi-nationals. While many mass production activities have been moving towards cheap labour markets due to production and/or environmental costs in advanced economies, a new generation of small and medium-sized firms has been developing in advanced economies based on technology and knowledge-intensive service activities. But in the semi-periphery the trend is a rather diffuse industrialization in growing medium-sized cities through SMEs. The survey evidence suggests that SMEs diffuse the industrial activities and technology of large firms to traditional sectors through the medium-sized towns in Turkey. This compares to similar findings in other Southern European countries (Pecqueur and Silva, 1992; Garofoli, 1992; Vázquez-Barquero, 1990). However, the globalization of world markets and the availability of computers and other machinery increase the diversity of small firms in the semi-periphery.

Another process has been the diversification of market demand through changes in various consumption habits, income and spatial distribution. The first question is how this process will evolve within regional and national economies. Second, what kind of business structures, such as networking, increase the competitive and organizational power of small firms so that they grow and innovate. Third, small firms in various sectors create different job opportunities, largely unregistered, unskilled or semi-skilled works, part-time and casual employment and professional jobs. However, it is still often unclear how jobs

and activities created by small firms can contribute to the well-being of local people and national economies.

The Turkish small firms and their entrepreneurs in this survey largely lack capital, R&D and skills. Contrary to the evidence in the advanced countries, small firms in this survey are not innovative but dependent upon the technology of large firms. The case of Third Italy is not comparable with the findings of this thesis. Therefore, small firms and local economic development need a careful re-examination. First is the question of how local and national economies benefit from small firms and what the long term effects are. Second, tax evasion, unregistered workers, extensive use of child workers, and low wages in small firms raise the question of how local people benefit from small firms which are dominated and managed by the interests of business owners and families. Whether small firms are unfair is a moral question which is equally valid for large firms. However, traditional business, with short-sighted, wealth-oriented practices under the domination of strong family and social networks needs to be examined. This kind of business does not offer much for the local people beyond families and friends. In addition, both the experiences of advanced economies during the recent economic recession and the experiences of developing countries indicate that small firms are very vulnerable to economic changes and crises. Therefore, even technological change and flexibility do not guarantee smooth growth and survival.

Geography: the regional and local dimension

I argue that the dynamic growth of SMEs and medium-sized towns is not predominantly due to new technologies and skills, but is rather a part of a diffuse industrialization via integration with the world economy through large firms in Turkey. Small firm development in the survey cities has roots in traditional business skills and apprenticeship. This process has nothing to do with the patterns of de-industrialization or redundancies which are observed in advanced economies. In contrast there is no evidence to prove that there is a geographical shift in industrial activities in Turkey but increasing

concentration in the medium-sized cities. The indigenous development of these towns through SMEs has not eliminated regional inequalities nor has it attracted capital from other regions, but it has acted as a form for its own regional resources. Therefore, our theories should explain the internal dynamics of this process. The emergence of medium-sized towns does not challenge the power of the large metropolises, but acts to diffuse products and services, as well as encouraging the development of economic activities in the smaller settlements of their regions. Therefore, the pattern of regional city growth fits with the diffusion of current technologies, skills and increasing local opportunities through liberal economic policies and free enterprise. It suggests that the regional cities in Turkey can act as important growth nuclei for economic development. However, there are some important constraints on this process.

The regions of the medium sized cities are surrounded by rural settlements. As a result agriculture provides much of the manpower, customers and capital for small firms. Urbanization through rural migration has been experienced in the medium sized towns. The characteristics of the labour markets are strongly determined by the rural migration. Therefore, the agricultural economy in the regions of medium-sized towns is very important for small business development and survival. However, rural areas have poor incomes and high unemployment. In addition, poor social and physical infrastructure as well as the feudal and semi-feudal characteristics of land ownership prevent the economic diffusion of SMEs. Although cottage industries, such as carpet weaving and textiles have developed in villages and townships of the medium sized cities, the role of these cities has remained limited as a trigger for further economic development of their regions. Rural and urban integration through SMEs is a complicated issue which is also very much dependent on the agricultural policies and public service investments of governments. Therefore, small business development in medium-sized cities and their effect on the regional economies needs further investigation. First, medium-sized cities might emerge as regional powers that affect the distribution of economic activities in their regions at the expense of major metropolitan cities in the future. Second, geographical inequality would be

maintained if the concentration of new technologies and service activities occurs in the old metropolises. Social networks, the entrepreneurs themselves, the effect of sectarian affiliations, ethnic and religious aspects in small businesses all show geographical differences. However, the characteristics of different sectors, the character of local labour markets and the structural problems of small firms show similarities across medium-sized towns in the different regions in this survey.

In the light of this research there is a need for further investigation of small businesses in growing medium sized cities and labour markets. The first area of investigation is to evaluate the findings of this thesis in other semi-peripheral countries and particularly in medium-sized towns of Greece, Spain, Portugal and Southern Italy. Second, it is important to question whether Southern European economies and the Turkish economy will fully integrate into the EC market or will remain as a semi-periphery. Third, we need to know more about how small firms in various sectors survive and what kind of change and transformation is seen in the cities of semi-peripheral countries. Fourth, geographical variations as well as similarities in economics and anthropology of the small firms should be examined.

Possible policy implications

This thesis is not primarily concerned with policy. However, the findings of the research do indicate some important implications that can be commented on briefly in conclusion. First, there is no clear small firm policy at local and national levels in Turkey. Second, the existing institutions for small firms do not produce effective guidance and help. The question which arises in this analyses is whether small businesses are going to cope with global competition and adopt new technologies. This is not only a specific problem for Turkey but also in other semi-peripheral countries. Certainly some backward forms of the businesses will die as competition increases. However, small firms dominate many local economies. SMEs are also potential forces for indigenous economic development by utilizing local capital and resources. Therefore, this sector should be

guided and it cannot be simply left to its own development. As a result there are problem areas and bottlenecks which need strong assistance and upgrading in Turkish small firms. Various policies could be directed towards immediate problem areas in order to help create competitive small firms run by better trained and educated entrepreneurs who have a clear vision of technology and markets. For the success of policies there is a need for cooperation and consensus about the achievements and targets of policies among business associations, local institutions and governmental organizations. These policies need to be selective and alert to new market situations. Some of alternative policy implications are summarized below.

i) Government institutions such as KÜSGET have targeted small manufacturing and artisanal firms. They have failed to understand that the small businesses sector includes many other firms. Problems of small manufacturers have been regarded as the problems of small firms in general. Therefore, there is a need for new sector-based policies and targets for small business development at national and local level.

ii) There are strong links between macro economic trends and small business success and failure. Macro economic policies need to take better account of the needs of small firms. High inflation rates and economic instability negatively affect small businesses in Turkey.

iii) Support mechanisms are also required. These should target four basic fields. First, development of skills in local labour markets by training in new production and service techniques; second, training of entrepreneurs about new management techniques, marketing and technologies; third, developing improved information networks for small businesses locally and nationally; fourth, allocating cheap credits, perhaps through local development banks or public-private partnerships for small business development.

iv) Networking and long term investments between small firms, subcontracting and other input-output relations between various size of firms are needed for the survival and growth of competitive small firms. This can maintain regular business orders and diffuse

new products and techniques. There is a lack of local agencies which can stimulate new networks or can provide management consultancy, market information and business technology. These could be developed by the government through local agents.

v) There is a need for a new institutional structure and vision for small business guidance with some regional autonomy. There have been many projects and promises in the past which were not realized or lost in the channels of bureaucracy. In order to get the support from business owners, policies and projects should be persuasive and sincere.

vi) Regional and local initiatives have not been encouraged by the hierarchical structure of Turkish bureaucracy. Small firm policies such as credit banks have either targeted all cities or institutions, or like KÜSGET have been set up only in some urban centres. Decentralization of institutional and financial power towards regional centres and cities is essential. In addition, local people, worker's organizations, support networks and artisanal organizations and chambers should be actively involved in the local government initiatives. These would ameliorate the negative effects of the authoritarian and distant policies from central government.

vii) However, supporting and upgrading the small business sector should not ignore the unfair practices in this sector. Unfair practices such as illegal money lending and black marketing must be discouraged by various policies. Similarly, tax evasion, exploitation of child workers, discrimination based on sex, religion and ethnicity, as well as unregistered use of labour should be prevented, and better working conditions should be promoted by businessmen and local authorities.

viii) At the hands of local entrepreneurs there is substantial capital accumulation diverted to luxurious consumption and family assets, mostly in land and building speculation. Small business development and capital accumulation at the hands of local families and businessmen should be encouraged into areas that are in the wider interests of the local economy in terms of more income and job opportunities and investments for the local people.

ix) There is a lack of systematic data and inadequate registration of small firms at the local level. The national statistics do not reflect the total number of small firms in each settlement. The division between artisanal associations and chambers often creates confusion. On the one hand, some small businesses have registrations in both the chambers and artisanal associations. On the other hand, any individual, not necessarily a small business or firm owner, can register with one or more artisanal association for different reasons, such as getting social benefits or certificates. This makes small business data unreliable. Similarly, there is a lack of geographical detail in existing data at township, village and province level. Better data collection should be developed in order to follow business patterns and guide policies.

APPENDIX A

A.1 GNP, sectoral growth rates and labour market in Turkey

Table A.1- GNP sectoral growth rates (%) at 1987 prices

Sectors	1987	1990
Agriculture	1.1	7.4
Industry	8.9	9.1
Mining	1.0	10.3
Manufacturing	10.7	10.3
Energy	7.0	6.7
Services	9.6	8.3
Construction	6.9	0.3
Commerce	11.3	13.4
Transport and communications	14.8	11.0
Government services	2.8	2.9
Other services	4.8	3.4
GNP (in purchase value)	9.3	9.7

Source: Main Economic Indicators, Ankara, 1992.

Table A.2- Composition of GDP by sectors at current prices (%)

Sectors	1987	1990
Agriculture	17.8	18.6
Industry	24.9	23.5
Mining	1.9	2.0
Manufacturing	21.0	19.4
Energy	2.0	2.2
Services	57.3	57.9
Construction	6.6	6.2
Commerce	19.2	13.5
Transport and communications	14.6	14.5
Government services	5.5	9.2
Other services	11.4	14.5
	100	100

Source: Main Economic Indicators, Ankara, 1992.

Table A.3- The developments in domestic labour market between 1981-1989

	1981	(15+Age In Thousand) 1988	1989(*Estimate)
Civilian labour force	15.959	18.350	18.680
Civilian employment	14.106	16.550	16.733
Unemployed	1.853	1.800	1.947
Unemployment rate (%)	11.6	9.8	10.4
Civilian Employment by Sector			
Agriculture	7.673	8.369	8.380
Industry	1.996	2.512	2.561
Mining	190	214	226
Manufacturing	1.705	2.170	2.205
Electricity, gas and water	100	128	130
Services	4.437	5.669	5.792
Construction	703	866	887
Transportation	526	640	1.700
Commerce	1.298	1.692	648
Financial inst.	308	381	388
Other services	1.601	2.090	2.169

Source: Main Economic Indicators, State Planing Organization, Ankara, 1989.

Table A.4- Total number of manufacturing establishments according to firm sizes
Employees Number of firms

1 person	44.867
2 persons	54.534
3-4 persons	54.272
5-6 persons	16.595
7-9 persons	12.838
TOTAL	183.106

Source: The Census of Industry and Business Establishments in 1985, SIS, 1989, Ankara.

A.2 Sectoral and spatial distribution

Table A.5- Sectoral Distribution of the number of Industrial establishments, value added per employee, and firm sizes in Turkey (1985)

SECTOR NO.31 Manufacture of food, beverage and tobacco

	Number of establishments	Total Number of employees	Value Added (TL) per employee
1-9	19.529	62.022	data not available
10-49	1.780	34.859	2.930.604
50-99	178	12.387	4.813.390
100-199	126	17.874	6.024.612
200-499	112	36.579	3.971.312
500-999	50	33.400	7.132.862
1000+	30	58.325	9.080.802
Total	21.805	255.446	

SECTOR NO.32 Textile, wearing apparel and leather industries

1-9	59.082	137.039	data not available
10-49	1934	40.540	2.889.125
50-99	264	18.627	3.140.642
100-199	150	20.804	3.247.997
200-499	110	36.619	3.318.056
500-999	44	32.387	4.933.052
1000+	48	86.571	3.562.975
Total	61.632	372.587	

SECTOR NO.33 Manufacture of wood products including furniture

1-9	37.033	94.511	data not available
10-49	408	7.815	1.967.933
50-99	38	2.660	2.552.837
100-199	30	4.307	7.141.281
200-499	18	5.041	3.005.776
500-999	3	1.864	1.886.995
1000+	-	-	-
Total	37.530	116.198	

SECTOR NO.34 Manufacture of paper and paper products,printing and publishing

	Number of establishments	Total Number of employees	Value Added (TL) per employee
1-9	4.467	13.489	data not available
10-49	345	7.001	3.422.797
50-99	48	3.432	4.436.923
100-199	26	3.388	5.747.291
200-499	21	5.911	7.872.311
500-999	7	4.930	6.481.467
1000+	7	11.674	5.936.870
Total	4.921	49.825	

SECTOR NO.35 Manufacture of chemicals and petroleum,coal, rubber and plastic products

1-9	7.522	20.055	data not available
10-49	749	16.438	3.508.550
50-99	132	9.214	6.244.580
100-199	51	6.968	10.072.682
200-499	50	15.137	24.685.633
500-999	26	17.449	11.901.618
1000+	12	23.601	29.312.151
Total	8.542	108.862	

SECTOR NO.36 Manufacture of non-metallic mineral products

1-9	5.295	16.292	data not available
10-49	440	11.225	1.614.708
50-99	103	7.009	1.212.903
100-199	51	7.166	3.459.850
200-499	61	21.153	6.433.688
500-999	20	13.552	8.398.128
1000+	6	11.212	5.634.641
Total	5.976	87.609	

SECTOR NO.37 Basic metal industries

1-9	2.395	6.900	data not available
10-49	344	8.147	3.856.156
50-99	72	4.900	5.340.009
100-199	30	4.385	5.483.317
200-499	25	7.388	1.638.418
500-999	9	7.056	8.428.256
1000+	11	49.027	4.547.274
Total	2.886	87.803	

SECTOR NO.38 Manufacture of fabricated metal products, machinery equipment transportation vehicles,scientific and professional measuring and controlling equipment

1-9	43.260	110.485	data not available
10-49	1.942	41.614	2.435.848
50-99	276	19.168	3.876.819
100-199	145	21.145	4.915.488
200-499	121	39.202	5.916.785
500-999	38	25.584	7.062.267
1000+	29	56.358	5.885.958
Total	45.811	313.556	

SECTOR NO.39 Other manufacturing industries

	Number of establishments	Total Number of employees	Value Added (TL) per employee
1-9	4.990	11.275	data not available
10-49	93	1.995	2.253.467
50-99	17	1.134	2.450.699
100-199	9	1.191	3.421.565
200-499	1	218	1.602.377
500-999	2	1.111	14.191.115
1000+	-	-	-
Total	5112	16.924	

Source: Küçük Sanayi, The State Planning Organization, Ankara, 1989.

Table A.6-Value added share of the Turkish provinces in three sectors (1986)

PROVINCES		Value Added Share of the Province in Turkey			The Share of Manuf. in the GDP of Province
		Manufacturing	Construction	Commerce	
01	Adana	4.08	1.89	2.97	32.52
02	Adıyaman	0.11	0.21	0.19	9.58
03	Afyon	0.54	0.28	0.54	17.00
04	Agri	0.01	0.12	0.03	1.38
05	Amasya	0.12	0.31	0.21	7.60
06	Ankara	4.62	11.09	7.76	17.21
07	Antalya	0.56	1.40	1.61	9.32
08	Artvin	0.07	0.32	0.09	6.75
09	Aydin	0.68	0.96	1.13	12.20
10	Balıkesir	1.08	1.25	1.27	16.48
11	Bilecik	0.52	0.18	0.18	33.65
12	Bingöl	0.03	0.21	0.02	6.47
13	Bitlis	0.05	0.08	0.02	10.57
14	Bolu	0.39	0.53	0.46	14.40
15	Burdur	0.24	0.32	0.26	13.52
16	Bursa	5.58	2.54	2.15	40.74
17	Çanakkale	0.54	0.85	0.64	14.99
18	Çankırı	0.05	0.20	0.07	5.07
19	Corum	0.23	0.49	0.39	9.36
20	Denizli	1.03	1.05	1.82	19.82
21	Diyarbakır	0.28	2.76	0.26	8.92
22	Edirne	0.45	0.50	0.79	13.93
23	Elazığ	0.23	0.62	0.45	6.41
24	Erzincan	0.13	0.33	0.18	11.02
25	Erzurum	0.21	0.52	0.56	8.13
26	Eskişehir	1.28	0.81	1.50	24.82
27	Gaziantep	0.77	0.81	1.49	17.28
28	Giresun	0.32	0.29	0.32	16.84
29	Gümüşhane	0.02	0.13	0.06	2.16
30	Hakkari	0.00	0.08	0.01	1.22
31	Hatay	0.71	1.19	1.02	16.17
32	Isparta	0.37	0.39	0.44	15.39
33	İçel	4.46	1.49	1.46	44.74
34	Istanbul	29.10	18.04	41.34	32.64
35	Izmir	10.96	10.27	10.16	35.25
36	Kars	0.06	0.16	0.19	3.86
37	Kastamonu	0.17	0.40	0.23	8.28
38	Kayseri	1.18	1.09	1.07	25.90
39	Kırklareli	0.56	2.01	0.30	18.57
40	Kırşehir	0.06	1.72	0.23	4.34
41	Kocaeli	13.92	1.34	0.95	75.01
42	Konya	1.34	2.12	2.92	13.69
43	Kütahya	0.37	2.26	0.46	6.86
44	Malatya	1.59	0.74	0.37	42.56
45	Manisa	1.43	2.34	1.01	16.05
46	Kahraman Maras	0.11	5.26	0.40	2.69
47	Mardin	0.09	0.61	0.08	4.77
48	Mugla	0.41	3.15	0.47	8.86
49	Mus	0.05	0.10	0.03	7.59
50	Nevşehir	0.12	0.38	0.07	5.46
51	Nigde	0.29	0.42	0.31	11.95
52	Ordu	0.39	0.41	0.54	15.55
53	Rize	0.42	0.26	0.55	19.20
54	Sakarya	0.57	0.54	0.80	17.36
55	Samsun	0.88	2.00	2.23	14.06
56	Siirt	0.50	0.27	0.10	29.78
57	Sinop	0.12	0.19	0.15	11.19
58	Sivas	0.15	2.64	0.47	6.00
59	Tekirdag	1.30	0.64	0.84	31.95
60	Tokat	0.35	0.69	0.24	15.01
61	Trabzon	0.43	0.74	1.16	12.01
62	Tunceli	0.01	0.08	0.01	1.90
63	Sanlıurfa	0.12	1.83	0.15	4.51
64	Uşak	0.25	0.34	0.37	15.61
65	Van	0.05	0.45	0.13	4.63
66	Yozgat	0.13	0.38	0.21	7.32
67	Zonguldak	2.81	1.95	1.11	28.86

Source: Derived from ISO, 1988, Istanbul.

Table A.7- Number of small firms (1-9 employees) and employees by provinces (1985)

Code of Provinces	Number of establishments	Annual average of persons engaged
01	6.298	20.685
02	685	1.851
03	1.718	3.069
04	431	1.192
05	908	1.971
06	10.128	32.664
07	3.131	7.810
08	349	633
09	2.940	5.839
10	3.559	8.165
11	456	1.552
12	113	263
13	411	1.107
14	1.264	2.521
15	1.268	2.900
16	10.052	27.109
17	1.520	3.656
18	393	707
19	1.580	3.869
20	Denizli 4.586	10.652
21	1.488	4.198
22	1.299	2.505
23	1.167	2.825
24	578	1.135
25	1.175	2.717
26	2.699	7.479
27	Gazinatep 5.503	16.329
28	905	2.488
29	416	852
30	113	366
31	3.160	11.123
32	1.847	4.860
33	3.104	8.976
34	41.677	150.290
35	12.815	33.082
36	929	2.008
37	987	1.547
38	Kayseri 3.287	7.739
39	892	2.170
40	669	1.556
41	1.904	5.882
42	7.210	18.042
43	1.490	3.481
44	1.979	6.894
45	4.737	15.691
46	2.188	6.249
47	942	2.079
48	1.42	2.982
49	281	569
50	838	1.413
51	1.139	2.212
52	1.630	3.227
53	794	1.939
54	2.411	7.045
55	3.247	8.543
56	623	1.525
57	463	1.332
58	1.079	2.462
59	1.048	3.008
60	1.542	3.318
61	2.377	6.050
62	155	388
63	1.765	4.758
64	1.514	5.714
65	663	1.466
66	1.085	2.362
67	2.074	5.344

Source: The Census of Industry and Business Establishments in 1985, Ankara, 1989.

APPENDIX B

B.1 The Survey Questionnaire (The English version)

QUESTIONNAIRE FOR SMALL FIRMS (June 1990)

LONDON SCHOOL OF ECONOMICS
Department of Geography
Houghton St. London WC2A 2AE

Date :/...../.....
City :

Code number :

Sector :

Address :

Tel :

Description of the main activity of the firm :

.....
.....

Date of the foundation:/...../.....

PART I LEGAL STATUS AND LOCATIONAL ASPECTS

CODE:

1) Legal status of establishment

- (1) Individual proprietorship
- (2) Simple partnership
- (3) General partnership
- (4) Limited partnership
- (5) Limited liability company
- (6) Joint stock company
- (7) Cooperative association
- (8) Subsidizing/branch plant
- (9) Other

2) Building property

- (1) Rent
- (2) Owned
 - (a) own /among the family members
 - (b) Among the shareholders
 - (c) Other

3) Please indicate the three most important urban services required to conduct your business,

- (1)-----
- (2)-----
- (3)-----

4) Have you changed location since the establishment of this business ?

- (1) Yes
- (2) No - Go to (6)

5) Previous locations

	Previous addresses	Years	Main reason to change
(1)
(2)
(3)
(4)

6) Do you plan to change your current location

- (1) Yes --- why ?.....
 where ?.....
- (2) No

7) Do you have another shop or franchise in another location ?

- (1) Yes
 - (a) where ?.....
 - (b) type of business ?.....
 - (c) who is managing /directing it ?.....
- (2) No

NOTES

8) What kind of machinery do you use ?

	% of work	average age	number of second hand
(1) Manually controlled.....			
(2) Electrical equipment			
(3) Automatic mach.			
(4) Computer controlled.....			

9) Who performs these activities in the firm ?

	entr	partn	mana	acco	secre	empl
(1) Book keeping	1	2	3	4	5	6
(2) Registering	1	2	3	4	5	6
(3) Accounting	1	2	3	4	5	6
(4) Tax payments	1	2	3	4	5	6
(5) Dealing with banks	1	2	3	4	5	6
(6) Information/market	1	2	3	4	5	6
(7) Supervision of workers	1	2	3	4	5	6
(8) Assistance of workers	1	2	3	4	5	6
(9) Repairing/maintenance	1	2	3	4	5	6
(10) Business arrangements	1	2	3	4	5	6
(11) Bureaucratic/administrative	1	2	3	4	5	6
(12) Phone calls, messages	1	2	3	4	5	6

1.entrepreneur

2.partner/family

3.manager

4.accountant (outside)

5.secretary

6.employees

7. no answer

10) Are there some problems in this division of tasks mentioned above

(1) Yes

Please explain.....

(2) No

11) Equipment in the firm, (E- Existent; N-Non existent)

(1) Telephone	E--N	(2) Telex	E--N
(3) Fax	E--N	(4) Computer	E--N
(5) Calculator	E--N	(6) Cash register	E--N
(7) Type Writer	E--N	(8) Photocopy mac.	E--N
(9) Van	E--N	(10) Lorry	E--N
(11) Car	E--N	(12) Fire alarm	E--N
(13) Extinguisher	E--N	(14) First aid	E--N
(15) Air filter	E--N	(16) Treatment	E--N
		(17) Office space	E--N

12) What proportion of the firm's income is derived from these following activities ?

- (1) Manufacturing activities..... (%)
 (2) Repairing/maintenance..... (%)
 (3) Commercial activities..... (%)
 (4) Service activities..... (%)

13) What kind of input materials and goods do you use ?

- (1)..... (4).....
 (2)..... (5).....
 (3)..... (6).....

14) Where do you get the input materials from ?

- | | loc | reg | nat | imp |
|----------------------------------|-----|-----|-----|-----|
| (1) Retailing merchant | 1 | 2 | 3 | 4 |
| (2) Wholesaler | 1 | 2 | 3 | 4 |
| (3) Cooperative | 1 | 2 | 3 | 4 |
| (4) Direct producer/seller | 1 | 2 | 3 | 4 |
| (5) State/public owned companies | 1 | 2 | 3 | 4 |
| (6) Factories | 1 | 2 | 3 | 4 |
| (7) Other | 1 | 2 | 3 | 4 |
| (8) No answer | | | | |

1. local
2. regional

3. national
4. importing

15) As far as your trade and input materials /goods are concerned,

- | | day | week | month | rare |
|-------------------------|-----|------|-------|------|
| (1) Difficult to find | 1 | 2 | 3 | 4 |
| (2) Undesirable quality | 1 | 2 | 3 | 4 |
| (3) Storing problems | 1 | 2 | 3 | 4 |
| (4) Black market | 1 | 2 | 3 | 4 |
| (5) Lack of cash | 1 | 2 | 3 | 4 |
| (6) Unstable prices | 1 | 2 | 3 | 4 |
| (7) Other..... | 1 | 2 | 3 | 4 |
| (8) No answer | | | | |

16) Who are the customers of your service and trade ?

- | | day | week | month | rare |
|-------------------------------------|-----|------|-------|------|
| (1) Individual consumers | 1 | 2 | 3 | 4 |
| (2) Retailers | 1 | 2 | 3 | 4 |
| (3) Wholesalers/Merchants | 1 | 2 | 3 | 4 |
| (4) Constructors/real estate agents | 1 | 2 | 3 | 4 |
| (5) Small firms in manufacturing | 1 | 2 | 3 | 4 |
| (6) Big firms | 1 | 2 | 3 | 4 |
| (7) Other | 1 | 2 | 3 | 4 |
| (8) No answer | | | | |

1. always
 2. most of the time
 3. from time to time
 4. very rare

17) Among the items below which one exists in your work

	day	week	month	rare
(1) Putting-out	1	2	3	4
(2) Subcontracting	1	2	3	4
(3) Orders	1	2	3	4
(4) None of them exists	---Go to 21			

18) Please indicate the type of firms to which you give and/or from which you get orders ?
(sub-contracting, putting-out, etc.)

	day	week	month	rare
(1) Wholesaler	1	2	3	4
(2) Small firms	1	2	3	4
(3) Big firms	1	2	3	4
(4) Individuals	1	2	3	4
(5) Other.....	1	2	3	4
(6) No answer				

19) Could you please explain what are the difficulties in putting -out, subcontracting and getting orders ?

.....
.....

20) How do you price your goods and /or services ?

	always	likely	often	rarely
(1) By looking at market prices	1	2	3	4
(2) By adding a certain profit margin	1	2	3	4
(3) Subcontractor decides	1	2	3	4
(4) By bargaining	1	2	3	4
(5) Other	1	2	3	4
(6) No answer				

21) Who are the main competitors of your business ?

- (1) Small firm (explain what you mean by 'big' and 'small')
 (2) Big firms
 (3) Imported goods/services
 (4) Other.....

22) What are the market conditions in your business ?

.....

23) Under what circumstances do you reduce the price and how often does it happen ?

	day	week	month	rare
(1) In order to get new customers	1	2	3	4
(2) In order to get a lot of orders	1	2	3	4
(3) When the market is stable	1	2	3	4
(4) When the other firms reduce the price	1	2	3	4
(5) Other	1	2	3	4
(6) No answer				

24) What kind of malpractice exist among the firms in your business ?

	day	week	month	rare
(1) Undercutting of prices	1	2	3	4
(2) Dumping	1	2	3	4
(3) Poaching employees	1	2	3	4
(4) Reducing quality	1	2	3	4
(5) Other.....	1	2	3	4
(6) No answer				

25) Do you put labels on your own products/services ?

- (1) Yes
- (2) No
- (3) Other

26) Do you spend money on advertising ?

- (1) Yes (TL expenditure per year)
- (2) No

NOTES

27) During the last five years (or since the establishment of the firm if it is younger) how many employees have left for another job and how many have been hired ?

(1) Left (2) Entered (3) Don't remember

28) Total number of employees at the moment

.....

29) Do you want /plan to hire more employees ?

(1) Yes
(2) No
(3) Other.....

30) In general are you satisfied by the working discipline and qualification of your employees?

(1) Working discipline.....()	1.Not at all
(2) Qualification.....{ }	2.Partially satisfied
	3.Satisfied
	4.very satisfied
	5.No idea

31) Information about employees

[illegible]

Position:
1.journeyman
2.master apprentice
3.apprentice
4.technician
5.manager
6.Other.....

Education level: (a) family member

- 1.literate
- 2.primary
- 3.secondary
- 4.high sch.
- 5.university
- 6.student

32) How did you get the initial investment capital in order to establish this business/trade ?
(Source of start-up finance)

- | | |
|--|-----|
| (1) Saving from a commercial activity | (%) |
| (2) Saving from a manufacturing activity | (%) |
| (3) Borrowing from relatives and friends | (%) |
| (4) Family savings | (%) |
| (5) Getting credits from the bank | (%) |
| (6) Getting cooperative credits | (%) |
| (7) Selling property/real estate | (%) |
| (8) Other..... | (%) |

33) If someone wanted to open a firm like this one in this business what would be the minimum investment at present ?

..... TL

34) If say, you needed an immediate cash for your business what would be the first three alternative ways of finding it ?

- (1).....
(2).....
(3).....

35) What kind of problems did you encounter in finding credit and securing them ?

- | | crucial | imp | fairly im |
|--|---------|-----|-----------|
| (1) High interest rates | 1 | 2 | 3 |
| (2) Difficulty to find /secure credits | 1 | 2 | 3 |
| (3) Complicated bureaucratic process | 1 | 2 | 3 |
| (4) Scarcity of available credits | 1 | 2 | 3 |
| (5) Illegal practices | 1 | 2 | 3 |
| (6) Other..... | 1 | 2 | 3 |

1.crucial 2. important 3.fairly important

36) As far as your earnings from this business are considered during last five years (or since the establishment),

- (1) There has been a continuous increase in profit
(2) There has been unstable slope down and up in profit
(3) There has been a continuous slope down in profit
(4) No change
(5) No answer
(6) Other.....

NOTES

37) Do you have shareholders ?

(1) Yes

(a) Family memberspersons % share
 (b) Relativespersons % share
 (c) Friendspersons % share

(2) No

38) Occupation of family members

(1) Mother.....
 (2) Father.....
 (3) Brothers.....
 (4) Sisters.....
 (5) Wife/husband.....
 (6) Children.....

39) (Personal Information) Starting from your birth place would you please indicate the cities and/or villages those you have been ,

Age-Sex Education Village/city Years Occupation reason to move

.....

40) Why did you start this business ?

.....

Why in this city ?

.....

41) What kind of problems did you encounter while you were establishing this business ?

	crucial	imp	fairly im
(1) to find personal resources	1	2	3
(2) to find credits and loans	1	2	3
(3) to find a cheap shop/land/building	1	2	3
(4) Difficulty in bureaucratic and administrative tasks	1	2	3
(5) to supply skilled labor	1	2	3
(6) to find qualified/cheap labor	1	2	3
(7) to enter oligopolistic/monopolistic market	1	2	3
(8) Insufficient knowledge about management/accounting	1	2	3
(9) to supply necessary machine and equipment	1	2	3
(10) Other....	1	2	3

42) When you first established this firm,

(1) what was the initial idea/aspiration ?

.....

(2) what do you think about it now and what are the obstacles to expand ?

.....

.....

.....

43) Do you have other business /occupation or income ?

	own	family	share	other
(1) Commerce	1	2	3	4
(2) Construction	1	2	3	4
(3) Manufacturing	1	2	3	4
(4) Real estate	1	2	3	4
(5) Transport	1	2	3	4
(6) Retired pension	1	2	3	4
(7) Other.....	1	2	3	4
(8) No answer				

1.own business

2.family business

3.shareholder

4.other

44) Which associations are you registered with ?

- (1) BAG-KUR
- (2) Chambers of commerce and ind.
- (3) Association.....
- (4) An artisanal cooperation
- (5) Other.....
- (6) No answer

45) What is your future plan ?

- (1) Stay in this business at this level
- (2) Stay in this business and expand
- (3) Diversify the business
- (4) Establish a new business
- (5) No idea
- (6) Other.....

NOTES

B.2 The Survey Questionnaire (The Turkish version)

KÜÇÜK İŞLETMELER ANKETİ¹

Gül Berna Özcan

LONDON SCHOOL OF ECONOMICS

Cografya Bölümü, Houghton St. Londra WC2A 2AE
İNGİLTERE

Tarih:/...../.....

Şehir:.....

Kod no:.....

Sektor:.....

Adres:.....

Kısaca işyerinin temel aktivitesi:

.....
.....

Tel:

Kuruluş Yılı:/...../.....

BÖLÜM I YASAL STATÜ VE KONUMSAL ÖZELLİKLER

KOD:

1) Firmanın/işletmenin yasal statüsü

- (1) Ferdi Mülkiyet
- (2) Adi ortaklık
- (3) Kollektif şirket
- (4) Komandit
- (5) Limited
- (6) Anonim
- (7) Kooperatif
- (8) Şube/uzantı işyeri
- (9) Diğer

2) İşyerinin mülkiyeti

- (1) Kira
- (2) Mülk
 - (a) Kendi yada ailesinin
 - (b) Ortakların
 - (c) Diğer

3) İşinizin idaresinde en önemli üç şehir servisi nedir ?

- (1).....
- (2).....
- (3).....

¹) Some Turkish letters could not be used in the wordperfect.

4) Bu isinizi kuralı beri hiç yer degistirdiniz mi ?

- (1) Evet
(2) Hayır (devam 6)

5) Daha önceki konum yerleri,

önceki adres	yıllar	yer degisim nedeni
(1).....		
(2).....		
(3).....		
(4).....		

6) Simdiki konum yerinizi degistirmeyi düşünüyormusunuz ?

- (1) Evet (a) Niçin ?.....
 (b) Nereye ?.....
(2) Hayır

7) Baska bir yerde dükkanınız yada bayiniz var mı?

- (1) Evet
 (a) Nerede ?.....
 (b) Isin türü ?.....
 (c) Kim yönetiyor ?.....

(2) Hayır

NOTES

8) Ne tür makina ve alet kullanıyorsunuz ?

	Iste kullanım % si	Ort.yası	İkinci-elden sayısı
(1) Elle çalışan alet.....			
(2) Elektrikli alet/makina.....			
(3) Otomatik makina.....			
(4) Bilgisayar denetimli makina.....			

9) Bu işyerinde aşağıda sıralanan işleri kimler yapıyor ?

	girs	ort/aile	ldar	muha	sekr	çalış
(1) Defter tutma	1	2	3	4	5	6
(2) Kayıtları tutma	1	2	3	4	5	6
(3) Muhasebe	1	2	3	4	5	6
(4) Vergi ödemeleri	1	2	3	4	5	6
(5) Banka işleri	1	2	3	4	5	6
(6) Piyasa yoklaması	1	2	3	4	5	6
(7) İşçilere danışmanlık	1	2	3	4	5	6
(8) İşçilere bilfiil yardım	1	2	3	4	5	6
(9) Tamir/bakım	1	2	3	4	5	6
(10) İş görüşmeleri	1	2	3	4	5	6
(11) İdari bürokratik işler	1	2	3	4	5	6
(12) Telefon/mesaj	1	2	3	4	5	6

1.girisimci
2.ortak/aile tıyesi
3.idareci
4. muhasebeci (dışarıdan)
5.sekreter
6.çalışanlar
7.cevap yok

10) Yukarıda sözü edilen işlerin paylaşımında aksaklıklar var mı ?

- (1) Evet --Açıklarmısınız ?.....
(2) Hayır

11) İşyerindeki teçhizat, (E-Var, N-Yok)

(1) Telefon	E--N	(2) Teleks	E--N
(3) Faks	E--N	(4) Bilgisayar	E--N
(5) Hesap makinası	E--N	(6) Yazar kasa	E--N
(7) Daktilo	E--N	(8) Fotokopi mak.	E--N
(9) Minübüs-kamyonet	E--N	(10) Kamyon	E--N
(11) Otomobil	E--N	(12) Yangın alarmı	E--N
(13) Yangın söndürücü	E--N	(14) İlk yardım	E--N
(15) Baca filtresi	E--N	(16) Arıtma tesisi	E--N
		(17) Ofis bölümü	E--N

12) Bu işyerinde kazancınızın yüzde kaçını aşağıdakilerden sağlıyorsunuz ?

- (1) İmalattan (%).....
 (2) Tamirat/bakımdan (%).....
 (3) Ticaretten (%).....
 (4) Servis işlerinden (%).....

13) Ne tür girdi malları ve malzemeler kullanıyorsunuz ?

- (1)..... (4).....
 (2)..... (5).....
 (3)..... (6).....

14) Kullandığınız girdi yada malzemeleri nereden sağlıyorsunuz ?

	yer	böl	ülk	ithal
(1) Perekende tüccar	1	2	3	4
(2) Toptancı	1	2	3	4
(3) Kooperatif	1	2	3	4
(4) Doğrudan satıcı/üretici	1	2	3	4
(5) Kamu firması	1	2	3	4
(6) Fabrikalar	1	2	3	4
(7) Diğer.....	1	2	3	4
(8) Cevap yok				
	1. yerel pazar 2. bölge		3. ülke 4. ithal	

15) İşiniz ve girdi malları dikkate alındığında

	gün	hafta	ay	nadir
(1) Bulmak güç	1	2	3	4
(2) İstenmeyen kalitede	1	2	3	4
(3) Depolama sorunları	1	2	3	4
(4) Karaborsa	1	2	3	4
(5) Nakit ihtiyacı	1	2	3	4
(6) Sabit olmayan fiyatlar	1	2	3	4
(7) Diğer.....	1	2	3	4
(8) Cevap yok	1	2	3	4
	1. her zaman 2. çoğunlukla 3. zaman zaman 4. çok seyrek			
	(bu kodlama diğer sorular için de geçerlidir)			

16) İmalat/servis/ticaretinizin müşterisi (leri) kimler ?

	gün	hafta	ay	nadir
(1) Bireyler-tüketici	1	2	3	4
(2) Perekendeci	1	2	3	4
(3) Toptancı/tüccar	1	2	3	4
(4) İnşaatçı/emlakçi	1	2	3	4
(5) Küçük imalatçıları	1	2	3	4
(6) Büyük işyerleri	1	2	3	4
(7) Diğer	1	2	3	4
(8) Cevap yok				

17) Asağılardakilerden hangisi/leri isinizde mevcut ?

	gün	hafta	ay	nadir
(1)Fason is	1	2	3	4
(2)Tasaronluk	1	2	3	4
(3)Siparis	1	2	3	4
(4) Hicbiri (devam 20)				

18) Ne tür firmalarla is yapıyorsunuz? (tasaronluk, fason is, siparis alıp verme açısından)

	gün	hafta	ay	nadir
(1) Toptancı	1	2	3	4
(2) Küçük firma	1	2	3	4
(3) Büyük Firmalar	1	2	3	4
(4) Bireyler	1	2	3	4
(5)Diğer.....	1	2	3	4
(6) Cevap yok				

19) Fason/tasaron/siparis usulü is yapmada karşılastığınız sorun ve güçlüklerden bahsedermisiniz ?

.....
.....
.....

20) Mal /ticaret/servisinizin fiyatını nasıl tesbit ediyorsunuz ?

	gün	hafta	ay	nadir
(1) Piyasa fiyatlarına bakarak	1	2	3	4
(2) Maliyet üzerine kar koyarak	1	2	3	4
(3) Tasaron firma tesbit eder	1	2	3	4
(4) Pazarlık usulu	1	2	3	4
(5) Diğer.....	1	2	3	4
(6) Cevap yok				

21) Bu iste asıl rakibiniz ne tür işletmeler ?

(1) Küçük işletmeler	('Büyük' ve 'Küçük' firma ile ne kastediyorsunuz açıkla)
(2) Büyük firmalar	
(3) İthal mal ve servisler	
(4) Diğer	

22) İsinizde pazar ve rekabet koşulları nasıl açıklarmısınız ?

.....
.....
.....

23) Hangi durumlarda fiyatlarınızda indirim yaparsınız ve bu durum hangi sıklıkla olur ?

	gün	hafta	ay	nadir
(1) Yeni müşteri edinmek için	1	2	3	4
(2) Çok miktarda sipariş elde etmek için	1	2	3	4
(3) Piyasa durgun olduğunda	1	2	3	4
(4) Diğer firmalar fiyat düşürdüğünde	1	2	3	4
(5) Diğer.....	1	2	3	4
(6) Cevap yok				

24) Piyasadaki işyerleri arasında ne tür kötü uygulamalar hangi sıklıkta oluyor?

	gün	hafta	ay	nadir
(1) Fiyat kırmak	1	2	3	4
(2) Sürüm yapmak	1	2	3	4
(3) İşçi ayartmak	1	2	3	4
(4) Kaliteyi düşürmek	1	2	3	4
(5) Diğer.....	1	2	3	4
(6) Cevap yok				

25) Ürün, mal ve /veya servislerinize etiket koyuyormusunuz ?

- (1) Evet
- (2) Hayır
- (3) Diğer.....

26) Reklam yapıyor ve bunun için para harcıyormusunuz ?

- (1) Evet (yıllık harcanan para TL).....
- (2) Hayır

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32) Bu işi kurmak için ilk sermayenizi nereden sağladınız ?

- | | |
|---------------------------------------|-----|
| (1) Ticari bir aktiviteden birikim | (%) |
| (2) İmalattan birikim | (%) |
| (3) Arkadaşlar ve akrabalarından borç | (%) |
| (4) Aile birikimleri | (%) |
| (5) Banka kredisi | (%) |
| (6) Kooperatif kredisi | (%) |
| (7) Arsa ve mülk satışı | (%) |
| (8) Diğer..... | (%) |

33) Eğer birisi bu işkolunda benzer bir işyeri açmak istese bugünkü değerle minimum yatırım miktarı ne olur ?

.....

34) Eğer acilen nakit paraya ihtiyacınız olsa ilk başvuracağınız üç yer neresi olurdu ?

- (1).....
 (2).....
 (3).....

35) Banka kredisi bulmada ve krediye güvence vermede ne gibi güçlüklerle karşılaşıyorsunuz ?

	temel	önemli	kısmen
(1) Yüksek faiz oranları	1	2	3
(2) Kredi bulmada ve güvence vermede güçlük	1	2	3
(3) Karmaşık bürokratik işlemler	1	2	3
(4) Ayrılan kredi sayısının azlığı	1	2	3
(5) Yasal olmayan/esitsiz uygulamalar	1	2	3
(6) Diğer.....	1	2	3

1.çok temel 2.önemli 3.kısmen önemli

36) Bu işten kazancınız düşünülürse, geçen bes yıl için aşağıdakilerden hangisi geçerli:

- (1) Karda düzenli bir artış oldu
 (2) Karda sabit olmayan inisler çıkışlar oldu
 (3) Karda azalma oldu
 (4) Degisim olmadı
 (5) Cevap yok
 (6) Diğer.....

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37) Ortığınız var mı ?

(1) Evet

- (a) Aile üyesi..... kisi
(b) Akraba.....kisi
(c) Arkadas.....kisi

(2) Hayır

38) Aile üyelerinin isi yada meslegi ?

- (1) Anne.....
(2) Baba.....
(3) Erkek kardes.....
(4) Kız kardes.....
(5) Es.....
(6) Çocuklar.....

39) Dogum yerinizden baslayarak daha önce bulundugunuz il/ilçeleri ve yaptığınız isleri sıralarmısınız ?

Yas/Cins	Egitim	Kasaba/sehir	Yillar	Is	Göç nedeni
.....
.....
.....
.....
.....
.....
.....

40) Bu ise baslama nedeniniz ne idi ?

.....

Niçin bu sehri seçtiniz ?

.....

41) Bu isyerini ilk kurarken ne gibi problemlerle karsılastınız ?

	temel	önemli	kısmen
(1) Kisisel kaynak bulmak	1	2	3
(2) Kredi ve borç bulmak	1	2	3
(3) ucuz dukkan/is yeri bulmak	1	2	3
(4) Bürokratik ve idari islemlerde güçlük	1	2	3
(5) Kalifiye işçi bulmak	1	2	3
(6) Kalifiye ve ucuz işçi bulmak	1	2	3
(7) Oligopol/monopol markete girmek	1	2	3
(8) Idare ve muhasebede yetersiz bilgi sahibi	1	2	3
(9) Gerekli makina ve techizati saglamak	1	2	3
(10) Diger	1	2	3

42) Bu isyerini ilk kurdugunuzda,

(1) İlk düşünceniz/esin kaynağınız neydi ?

(2) Şimdi ne düşünüyorsunuz, sizce işinizin genişlemesine ne tür engeller var ?

43) Baska bir işiniz /geliriniz var mı ?

	kendi	aile	ortak	diğer
(1) Ticaret	1	2	3	4
(2) İnşaat/müteahitlik	1	2	3	4
(3) İmalat	1	2	3	4
(4) Emlakçı/gayrimenkul tic.	1	2	3	4
(5) Tasımacılık	1	2	3	4
(6) Emekli aylığı	1	2	3	4
(7) Diğer.....	1	2	3	4
(8) Cevap yok	1	2	3	4

1.kendi işi 2.aile işi 3.ortak iş 4.diğer

44) Hangi derneklere/kurumlara kayıtlısınız ?

- (1) BAG-KUR
- (2) Sanayi ve ticaret odası
- (3) Esnaf ve sanatkar derneği
- (4) Diğer.....
- (5) Cevap yok

45) Gelecek için tasarınız/planınız ne ?

- (1) Bu işte aynı düzeyde kalmak
- (2) Bu işte kalmak ve işi büyütmek
- (3) İş çeşitlendirmek
- (4) Yeni bir iş kurmak
- (5) Fikir yok
- (6) Diğer.....

NOTES

APPENDIX C

C.1 Population of the province cities and townships in the survey areas in 1985

Table C.1- Population of the survey areas and their townships (1985)

Total=	Gaziantep		Kayseri		Denizli
	966,490		864,060		667,478
Province city	559,111	Province city	488,429	Province city	251,418
Araban	34,076	Bünyan	49,474	Acıpayam	85,169
Islahiye	96,504	Develi	69,801	Buldan	24,660
Kilis	101,818	Felahiye	23,810	Çal	60,953
Nizip	112,644	Incesu	22,470	Çameli	21,445
Oguzeli	41,477	Pınarbaşı	51,569	Çardak	23,740
Yavuzeli	20,860	Sarıoğlu	26,444	Çivril	60,797
		Sarız	22,820	Güney	16,264
		Tomarza	42,220	Kale	25,976
		Yahyalı	41,368	Sarayköy	38,904
		Yeşilhisar	25,655	Tavas	58,152

Source: The Census of Population in 1985, Ankara, 1989.

C.2 List of hypotheses and tests regarding characteristics of small firms in the survey

Measures used in cross-tabulations are Chi-square, Cramer Coefficient (C), Lambda (L).¹ Basic requirements for the analyses are supplied for tests. The data are based on a random sample. In the analyses of significance tests the percentage of cells with expected values less than 5 is taken as 30% and lower. The evidence of association is accepted in the range between the .001 and .10 significant levels. Adjusted cell residuals (z) are analyzed in order to point out differences among particular cases. Cell residuals show the discrepancies between the observed and expected values. The significance levels for the normal two-tailed distribution is used. At the .05 level of significance there is an evidence of association if the cell residual (z) is $-1.96 \leq z \leq 1.96$. If $z \leq -1.96$, this indicates that expected value is greater than observed value. In this case there is a lack of cases in the particular cell. If $z \geq 1.96$ this indicates that observed value is greater than expected value and there is an excess of cases in the particular cell.

C.2.1 Entrepreneurial characteristics based on spatial and sectoral analyses²

1-Birth place and city (BRT-CITY)

Ho: The birth place of entrepreneurs is not associated with the current city

There is no overall evidence of association. However, cell residuals indicate some particular associations. Entrepreneurs who were born in township and villages of the Denizli province have excess cases ($z= 5.7$) while in Gaziantep entrepreneurs born in the same city have excess cases ($z= 4.7$). This is an important indication that entrepreneurs in Gaziantep are more likely to come from urban classes. Whereas in Denizli they are more likely to come from rural families.

2-City and father's occupation (CITY-FATH)

Ho: Fathers' occupation of entrepreneurs do not vary across the survey cities.

There is evidence of a strong association, so we reject Ho ($X^2= 20.95006$, $DF= 8$, $sig= .007$). Cell residuals indicate particular associations among variables. In Kayseri there is lack of observations in the categories of fathers engaged in manufacturing/repairing

¹) Statistical analyses and measures in this survey are based on the book of S. Siegel and N.J. Castellan (1988), *Nonparametric Statistics for Behavioral Sciences*.

²) Symbols in parentheses show the names of variables used in the statistical analyses.

($z=-2.0$) and shareholder fathers ($z= -2.0$). In Denizli there is lack of observations in the category of commerce/construction ($z= -3.0$) and excess cases in shareholder fathers ($z= 2.7$). Furthermore if we take the .10 significance level, Kayseri has excess cases in fathers engaged in commerce or construction ($z= 1.7$) while Gaziantep has lack of cases in fathers engaged in agriculture ($z=-1.8$). These are important indications of the entrepreneurs' family background and their social classes in the survey cities.

3-Sector and father's occupation (SEC-FATH)

Ho: Fathers' occupation of entrepreneurs do not vary across the survey sectors.

There is evidence of a strong association, so we reject Ho ($X^2= 46.52608$, $DF= 8$, $\text{sig}= .000$). Cell residuals show that civil servant fathers are associated with construction sector entrepreneurs ($z= 3.9$) while there are lack of observations civil servant fathers for commercial sector entrepreneurs ($z= -3.0$). Fathers who engaged in commerce and construction are associated with commercial sector entrepreneurs ($z= 3.9$). There are lack of cases of merchant or constructor fathers in manufacturing sector ($z= -3.8$).

Entrepreneurs in manufacturing sector are highly associated with manufacturer fathers ($z= 4.1$). There are lack of observations for construction entrepreneurs whose fathers are manufacturers ($z=-2.6$).

This analysis indicates that there is a strong association between the entrepreneurs' current business and the fathers' profession. Entrepreneurs in the commerce are strongly associated with fathers who are engaged in commerce and construction. Whereas entrepreneurs in manufacturing sector are strongly associated with fathers who are engaged in manufacturing and repairing. Entrepreneurs in the construction sector is strongly associated with fathers who are engaged in civil servant and professional jobs.

4-Age and city (ENA-CITY)

Ho: Age groups of the entrepreneurs do not change across the survey cities.

As there is no evidence of association, Ho is true.

5-Age and sector (ENA-SEC)

Ho: Age groups of the entrepreneurs do not change across the survey sectors.

There is evidence of association, so we reject the Ho ($X^2= 11.00846$, $DF= 4$, $\text{Sig}= .026$).

There is an evidence of strong association between the age groups of entrepreneurs and the survey sectors. Cell residuals show that the older age group (50-70) is associated with commercial sector while there is a lack of cases in manufacturing ($z= -1.4$) and construction

($z = -1.9$) in this category. This indicates that in construction and manufacturing entrepreneurs are more likely to be younger than 50 years old.

6-Education and sector (EDU-SEC)

Ho: The education of the entrepreneur is not associated with the sector of his/her business

There is evidence of a strong association, so we reject Ho. ($X^2=69.67247$, $DF=2$, $sig=.000$). Cramer's Coefficient (.57) also indicates that variables are correlated. Cell residuals indicate that there is a particular correlation between the entrepreneur's education and the current business. Entrepreneurs in construction is associated with higher education ($z = 8.1$), commercial sector with primary and secondary school education ($z = 5.9$), and manufacturing sector entrepreneurs ($z = 2.3$). So, we reject the null hypothesis.

7-Education of the entrepreneur and profits and sector (EDU-KAR-SEC)

Ho: The business profits, the sector of the firm and education of the entrepreneur are independent from each other.

There is no overall evidence of association but in construction sector business profits of firms are highly associated with the education of the entrepreneur. Higher education and increasing profits are associated in this sector ($X^2 = 19.04813$, $DF = 3$, $sig=.0003$).

Cramer's Coefficient (.50) also show a correlation.

8-Education and city (EDU-CITY)

Ho: The education of the entrepreneur is not associated with the location city.

There is no evidence of association. There is no significant cell residuals. So we accept Ho.

9-Early involvement and city (INVOL-CITY)

Ho: Entrepreneur's early involvement in a family business does not show any correlation across the survey cities.

There is evidence of a strong association, so we reject Ho ($X^2 = 19.96179$, $DF = 6$, $Sig=.00281$). Cell residuals indicate that the family business in agriculture is associated with Denizli entrepreneurs ($z = 2.1$) while there is lack of observations for commercial background in this city. Kayseri businessmen are associated with construction sector background ($z = 2.4$) while manufacturing works have lack of observations ($z = -3.0$) in this city.

10-Working experience and city (JOB1-CITY)

Ho: The first job experience of entrepreneurs is not associated with the survey cities.

There is no evidence of association, so we accept Ho. However, cell residuals indicate an association between apprenticeship background among Gaziantep businessmen ($z = 2.2$), and self-employment backgrounds among Kayseri businessmen ($z = 2.2$).

11-Working experience and sectors (JOB1-SEC)

Ho: The first job experience of entrepreneurs is not associated with the sector of their current business.

There is evidence of a strong association, so we reject Ho ($X^2 = 34.17501$, $DF = 6$, $\text{sig} = .00001$). Cell residuals show that manufacturers are associated with family business and apprenticeship, constructors with self-employment and public private companies as their first job experiences. These indicate various channels of skill development of entrepreneurs. In commercial sector, entrepreneurs have different sector job experiences but public-private company.

12-Number of previous jobs and Sectors (NJ-SEC)

Ho: Number of previous jobs of entrepreneurs do not vary across the survey sectors.

There is no evidence of association, so we accept Ho.

13-Number of previous jobs and cities (NJ-CITY)

Ho: Number of previous jobs of entrepreneurs does not vary across the survey sectors.

There is a moderate association, so we reject Ho ($X^2 = 17.00261$, $DF = 10$, $\text{Sig} = .074$)

Cell residuals show that Denizli entrepreneurs have less job changes than Gaziantep and Kayseri. Four job changes are largely observed in Gaziantep.

14-Satisfaction and city (SATIS-CITY)

Ho: Business satisfaction of entrepreneurs does not change across the survey cities.

There is an evidence of association, so we reject Ho ($X^2 = 10.16392$, $DF = 4$, $\text{Sig} = .037$).

Business satisfaction of entrepreneurs vary among the survey cities.

15-Satisfaction and sector (SATIS-SECTOR)

Ho: Business satisfaction of entrepreneurs do not change across the survey sectors.

There is evidence of a strong association, so we reject Ho ($X^2 = 39.88174$, $DF = 4$, $\text{sig} = .000$). The cell residuals show that entrepreneurs in the construction sector are associated with very low satisfaction ($z = -4.3$) while in commercial sector there is a high

satisfaction ($z=4.9$). These analyses indicate differences and fluctuations in sectoral performances.

16-Education, age, and the use of computer (EDU-ENA-EQ7)

Ho: There is no association between entrepreneur's education, age and the use of computers in the firm.

There is some evidence of association, so we reject Ho. ($X^2=6.04162$, $DF=2$, $sig=.049$)

Among non-computer owners there is an association between old age (50-70) and low educational background.

C.2.2 Small business growth and performance based on spatial and sectoral analyses

1-Establishment year and city (ESTY-CITY)

Ho: Establishment years or age of firms do not vary across the survey cities.

There is evidence of a strong association, so we reject Ho ($X^2=10.52374$, $DF=4$, $sig=.032$). Cell residuals indicate that firms older than ten years are associated with Kayseri ($z=2.1$) while Gaziantep firms are associated with older than 6 years ($z=2.8$).

2-Inherited business and city (INH-CITY)

Ho: The number of inherited firms does not vary across the survey cities.

There is no evidence of association, so Ho is accepted.

3-Legal status and city (LSTAT-CITY)

Ho: The legal status of the firm does not vary across the survey cities.

There is a moderate evidence of association, so we reject Ho ($X^2=9.01806$, $DF=4$, $Sig=.0606$). Cell residuals indicate that simple partnership is largely associated with Kayseri.

4-Legal status and sector (LSTAT-SEC)

Ho: The legal status of the firm does not vary across the survey sectors.

There is no evidence of overall association, therefore Ho is true. However, when we look at the cell residuals we see that there is a particular association between simple partnership structure and manufacturing sector ($z=2.0$).

5-Age, the total number of employees and sector (ESTY-TOTE-SEC)

Ho: There is no association between the sector and age of the firm and number of employees.

There is a partial association for commercial sector firms ($X^2 = 16.07024$, $DF = 6$, $sig = .013$). Despite this highly significant values the cell frequency of minimum expected value is greater than 30%. In construction sector firms ($X^2 = 8.34987$, $DF = 4$, $sig = .080$), the cell frequency of minimum expected value is greater than 30%. However, there are significant residuals: (i) in commercial sector firms older than 10 years have excess cases in the size group of 4-10 employees and lack of cases in the small size category (1-4 employees). This is contrary for firms 9-6 years old, firms younger than 6 years have excess cases in self employment. Older firms are more likely to have larger employee numbers, (ii) In manufacturing sector significant residuals are in oldest (10 and more) and the youngest (5 and younger) firms. The oldest firms have higher concentration in the largest employee category (10-50) while the youngest ones are in the smallest size category (1-4), (iii) In construction sector only oldest firms associate with the large employee numbers.

6-Computer and sector (EQ7-SEC)

Ho: The computer ownership does not vary across the survey sectors.

There is no evidence of association, so we accept Ho.

7-Computer and city (EQ7-CITY)

Ho: The computer ownership does not vary across the survey cities.

There is no evidence of association, so we accept Ho.

8-Fax and city (EQ2-CITY)

Ho: The fax ownership does not vary across the survey cities

There is no evidence of association, so we accept Ho.

9-Fax and sector (EQ2-SEC)

Ho: The fax ownership does not vary across the survey sectors

There is a strong evidence of association, so we reject Ho ($X^2 = 14.62079$, $DF = 2$, $sig = .001$). Cell residuals show excess cases of fax ownership for manufacturing ($z = 3.7$) and lack of cases for construction ($z = -2.6$).

10-Customers and city (CUSTOM-CITY)

Ho: Customers of the business do not vary across the survey cities.

There is no evidence of association, so we accept the null hypothesis, Ho.

11-Customers and sector (CUSTOM-SEC)

Ho: Customers of the business do not vary across the survey sectors.

There is evidence of a strong association which indicates that customers of the business vary according to sector. Therefore, we reject the Ho ($X^2 = 106.63061$, $DF = 8$, $sig = .000$). Cramer's coefficient (.50) also indicates a moderate correlation between sector of the firm and the type of customers.

12-Customers, input source and sector (CUSTOM-MATERIAL-SEC)

Ho: There is no association between sectors in terms of their input sources and customers.

There is no evidence of overall association. We accept Ho.

13-Capital or assets size and city (MCA-CITY)

Ho: There is no association between capital size and the location city of the firm.

As there is no evidence of association, Ho is true.

14-Capital or assets size and sector (MCA-SEC)

Ho: There is no association between capital size or assets and the sector of the firm.

There is evidence of a strong association, so we reject Ho. ($X^2 = 17.00008$, $DF = 4$, $Sig = .002$). Cell residuals indicate that the largest range of capital or assets size is associated with the manufacturing sector while the medium range is associated with the commercial firms.

15-Profits and city (KAR-CITY)

Ho: There is no association between the survey cities and small business profits in the period of 1985-90.

There is an evidence of association, so we reject Ho ($X^2 = 19.31808$, $DF = 6$, $sig = .004$). Cell residuals indicate that there is lack of observed values in Kayseri for the category of 'unstable fluctuations' ($z = -2.7$). Denizli has excess cases for the category of 'no change' ($z = 2.7$) and lack of cases for 'continuous increase' ($z = -3.2$). At the .10 significance level 'continuous increase' in profits is only associated with Kayseri ($z = 1.8$). These figures point out the slight differences in profit changes across the cities.

16-Sector, capital or assets and profits (SEC-MCA-KAR)

Ho: There is no association between the size capital or assets of the firm and business profits in the period of 1985-90 and sector of the firm.

Only for firms which experienced continuous increase, there is a partial association due to high proportion of cells with low expected frequency. However, the test result is highly significant ($X^2 = 24.11405$, $DF = 6$, $sig = .0005$). Cell residuals indicate that firms which had continuous profit increase between 1985-90 have different capital or asset sizes. Only in construction sector the smallest size of capital (TL 5-100m) associated with a profit increase. In commerce the medium range (TL 100-500m) and in manufacturing only the largest capital size (TL 500-5500m) are associated with a profit increase. These results are very much related with the nature of the businesses.

17-Sector, education and profits (SEC-EDU-KAR)

Ho: There is no association between the sector of the firm and entrepreneur's education and business profits in the period of 1985-90.

Among sectors there is evidence of association only in construction sector ($X^2 = 19.04813$, $DF = 3$, $sig = .0003$). Cell residuals indicate that entrepreneurs who have high school, vocational school and university education show a better performance (measured in profits between 1985-90).

18-Sector, total number of employees and profits (SEC-TOTE-KAR)

Ho: Total number of employees, business profits between 1985-90 and the sector of the firm are independent of each other.

There is no evidence of overall association, so we accept Ho. However, there are some significant cell residuals. In commercial sector self-employed have experienced stagnation in profits ($z = 2.4$) and have not a continuous increase in their profits ($z = -2.1$).

19-Sector, total number of employees and capital/assets (SEC-TOTE-MCA)

Ho: Total number of employees, capital size and the sector of the firm are independent of each other.

In commercial sector there is no evidence of association. In manufacturing sector there is evidence of a strong association between the size of capital assets and number of employees ($X^2 = 27.99094$, $DF = 4$, $sig = .00001$). In this sector number of employees increases parallel to the size of capital or assets. Particularly cell residuals show a strong discrepancies between the lowest and the largest categories.

C.2.3 Structural elements of growth and survival in small firms

1-Age of the firm and current value of capital or assets (ESTY-MCA)

Ho: Current value of capital/assets of the firm is independent of age of the firm.

There is evidence of association, so we reject Ho ($X^2=15.30691$, $DF=4$, $sig=.004$).

As firm grows older, accumulates capital.

2-Satisfaction of the entrepreneur and profits (SATIS-KAR)

Ho: Satisfaction of entrepreneur is independent of profits between 1985-90.

There is no evidence of association, so we accept Ho.

3-Number of previous jobs of entrepreneur and profits (NJ-KAR)

Ho: Number of job changes is independent of profits during last 5 years

There is no evidence of association, so we accept Ho.

4-Education and number of previous businesses of entrepreneurs (EDU-NJ)

Ho: The number of previous jobs of entrepreneur is independent of his/her educational background

There is no evidence of association, so we accept Ho.

5-Future plan and capital or assets (FUTUR-MCA)

Ho: Future plan of the entrepreneur is independent of the capital or assets of the firm.

There is no evidence of association, so we accept Ho.

6-Education of the entrepreneur and the legal status (EDU-LSTAT)

Ho: There is no association between the entrepreneur's education level and the firm's legal status.

There is no evidence of association, so we accept Ho.

7-Age and the legal status of firm (ESTY-LSTAT)

Ho: Legal status of the firm does not change across different age groups of firms

There is an evidence of association so we reject Ho ($X^2= 9.26775$, $DF= 4$, $sig= .055$).

8-Inherited and non-inherited firms and profits (INH-KAR)

Ho: There is no difference between the inherited and non-inherited firms in terms of business profits between 1985-90.

There is no evidence of association, so we accept Ho.

9- Profits, capital or assets, and inherited firms (KAR-MCA-INH)

Ho: There is no difference between inherited and non-inherited firms in terms of business profits between 1985-90 and the size of capital or assets

There is no evidence of association, so we accept Ho.

10-First job experience and profits (JOB1-KAR)

Ho: There is no association between the first job experience of entrepreneur and business profits.

There is no evidence of association, so we accept Ho.

11-First job experience and capital or assets (JOB1-MCA)

Ho: Profits and the size of investment capital are independent of the first job experience of entrepreneur.

There is no evidence of association, so we accept Ho.

12-First job experience and total number of employees (JOB1-TOTE)

Ho: First job experience of the entrepreneur is independent of the number of employees.

There is some evidence of association ($X^2 = 19.66693$, $DF = 9$, $sig = .020$), but the expected cell frequency is greater than 30 %. Cell residuals indicate that first, there is a move to larger sizes (4-50 employees) largely in manufacturing among the entrepreneurs who started first working in the family firms, second, those started as self-employed could not reach large firm sizes (10-50).

13-Existence of another shop and legal status of the firm (OHT-LSTAT)

Ho: There is no association between the legal status and existence of another shop.

There is evidence of a strong association, so we reject Ho ($X^2 = 11.44267$, $DF = 2$, $sig = .003$). Existence of shops associated with simple partnership. As the firm moves from individual status to simple partnership diversification occurs and franchise shops are run by partners.

14- Education of the entrepreneur and use of fax (EDU-EQ2)

Ho: The use of fax does not vary among different levels of education.

There is no evidence of association, so we accept Ho.

15-Age of the firm and capital or assets (ESTY-MCA)

Ho: Current value of capital or assets does not vary across different age categories of firms.

There is evidence of a strong association, so we reject Ho ($X^2 = 15.30691$, $DF = 4$, $sig =$

.004). Firms that are ten years and older move towards the largest capital size. Firms accumulate capital as they pass the critical survival period and accumulate larger capital and survive.

16- Education of entrepreneur and profits (EDU-KAR)

Ho: Business profit between 1985-90 is not associated with the education level of the entrepreneur.

There is evidence of a strong association, so we reject Ho ($X^2= 12.33764$, $DF= 3$, $sig= .006$). Primary and secondary school education show a low performance in terms of continuous profit increases compared to higher education groups.

17-Profits and capital or assets (KAR-MCA)

Ho: Business profits between 1985-90 is independent of the size of capital or assets.

There is evidence of a moderate association, so we reject Ho ($X^2= 10.83178$, $DF= 6$, $sig= .094$). The smallest capital size (TL5-100m) has the lowest performance. Only residuals in the category of the largest firms (TL500-5500m) point out a continuous increase in the profits.

18-Profits and use of computers (KAR-EQ7)

Ho: Business performance is not associated with the use of computers.

There is evidence of a strong association so we reject Ho ($X^2= 7.50333$, $DF= 3$, $sig= .057$). Computer users have experienced the continuous increase in the profit while others have had a slope down in their profits during 1985-90.

19-Age of the firm and use of the computer (ESTY-EQ7)

Ho: The age of firm is not associated with the computer ownership.

There is some evidence of a moderate association, so we reject Ho ($X^2= 4.79217$, $DF= 2$, $sig= .091$). Cell residuals indicate that older firms are more likely to use computers.

20-Capital or assets and legal status of the firm (MCA-LSTAT)

Ho: Legal status of the firm is independent of the size of capital/assets

There is evidence of association so we reject Ho ($X^2= 17.89969$, $DF= 4$, $sig=.001$).

Increasing size of capital is associated with the sophistication of the legal status. The small capital size (TL5-100m) has largely individual and the largest capital size (TL500-5500m) is more likely to have a company status.

21-Profits and the age of entrepreneurs (KAR-ENA)

Ho: Business profits are not associated with the entrepreneur's age.

There is evidence of a strong association, so we reject Ho ($X^2 = 16.79996$, $DF = 6$, $sig = .010$). Cell residuals show that older (50-70) entrepreneurs' performance is more likely to be low.

22-The age of entrepreneurs and capital or assets (ENA-MCA)

Ho: There is no association between the current value of assets and the age of the entrepreneur.

There is no evidence of association, so we accept Ho.

23-Satisfaction of the entrepreneur and capital or assets (SATIS-MCA)

Ho: Business satisfaction of the entrepreneur is independent of the size of capital or assets of the firm.

There is no evidence of association, so we accept Ho.

24-Birth place of the entrepreneur and capital or assets (BRT-MCA)

Ho: There is no association between the birth place of the entrepreneur and the size of capital or assets.

There is no evidence of association, so we accept Ho.

25-Satisfaction of entrepreneur and the building ownership (SATIS-PRO)

Ho: Business satisfaction is independent of building ownership

There is no evidence of association, so we accept Ho.

26-Fathers job and capital or asset (FATH-MCA)

Ho: The size of capital/assets is not associated with the fathers' job of entrepreneurs.

There is no evidence of association, so we accept Ho. However, cell residuals indicate that entrepreneurs, whose father were salary earners, are in the smallest size category of capital (TL 5-100m).

27-Entrepreneur's birth place and family business (BRT-INVOL)

Ho: Entrepreneur's birth place is not associated with his/her early involvement into family business. There is no evidence of association, so we accept Ho.

28-Involvement in a family business and capital or asset (INVOL-MCA)

Ho: Capital size is not associated with the entrepreneur's birth place.

There is no evidence of association, so we accept Ho.

29-Profits and total number of employees (KAR-TOTE)

Ho: There is no association between total number of employees and business profits.

There is no evidence of association, so we accept Ho.

30-Entrepreneurs birth place and sector and city (BRT-SEC-CITY)

Ho: Birth places of entrepreneurs are not associated with the sector and the city of the firm.

There is no evidence of an overall association. However, there are highly significant cell residuals. In Gaziantep, entrepreneurs, who were born in this city, are highly associated with local urban classes ($z=2.1$). Only entrepreneurs, who were born in villages or townships of the province, are fairly associated with the manufacturing sector ($z=1.8$). In Kayseri, entrepreneurs who were born in Kayseri are associated with commercial sector ($z=2.3$). In Denizli entrepreneurs, who were born in another city or village, are associated with construction sector. Whereas entrepreneurs, who were born in Denizli, are highly associated with manufacturing sector ($z=2.6$) and they are less likely to be associated with construction sector ($z=-2.6$).

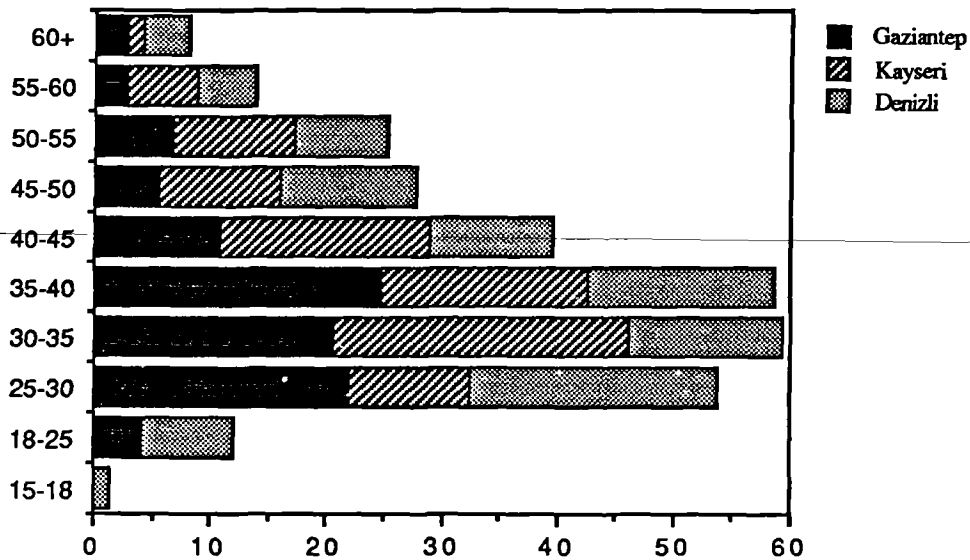
31-PEARSON CORRELATION COEFFICIENTS

Firm size determines the firm performance. Parameters used: Age of the firm, Total number of employees, Current assets/Investment capital. Coefficient = 0.6104 (significant > 0.5), Cases = 177. Two-Tailed significance, $P=0.000$ (significant < 0.05). Total number of employees and the current assets/investment capital are correlated.

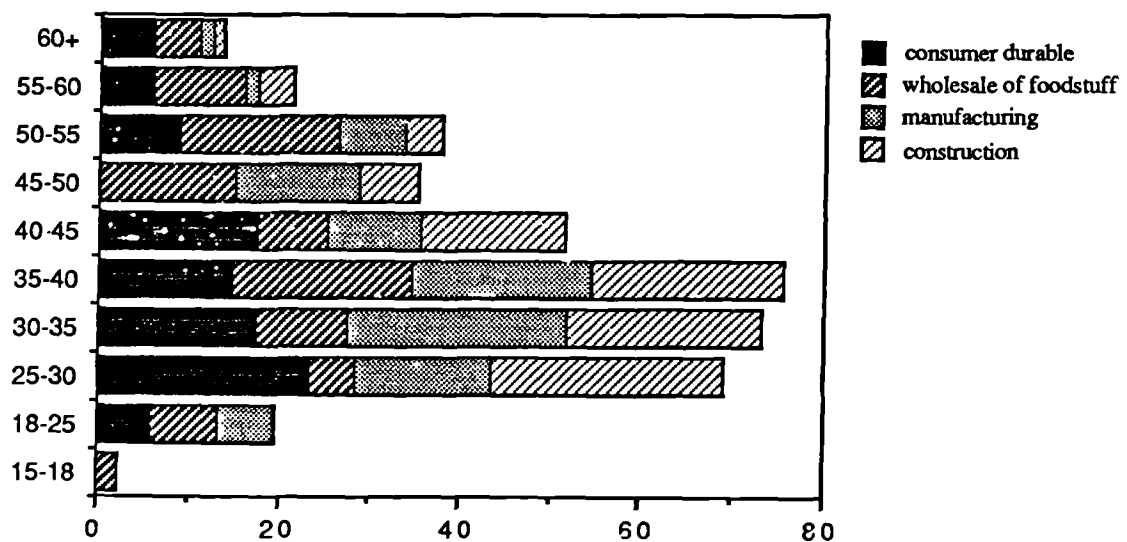
APPENDIX D

D.1 Age categories of entrepreneurs and employees

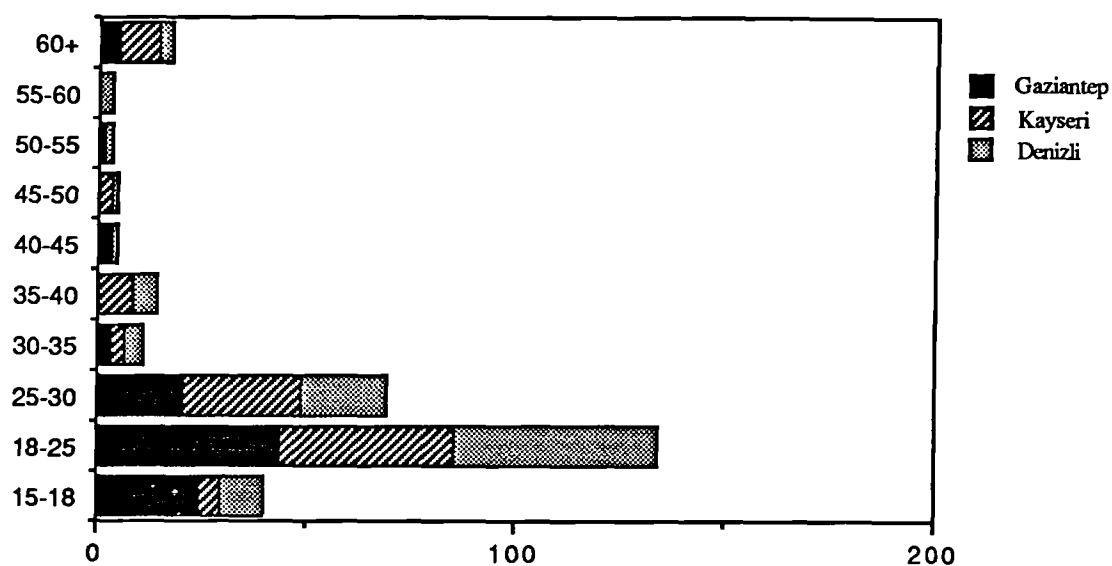
Graph D.1- Age categories of entrepreneurs by the survey cities



Graph D.2- Age categories of entrepreneurs by the survey sectors



Graph D.3- Average age categories of male employees in the survey cities



Graph D.4- Average age categories of male employees in the survey sectors

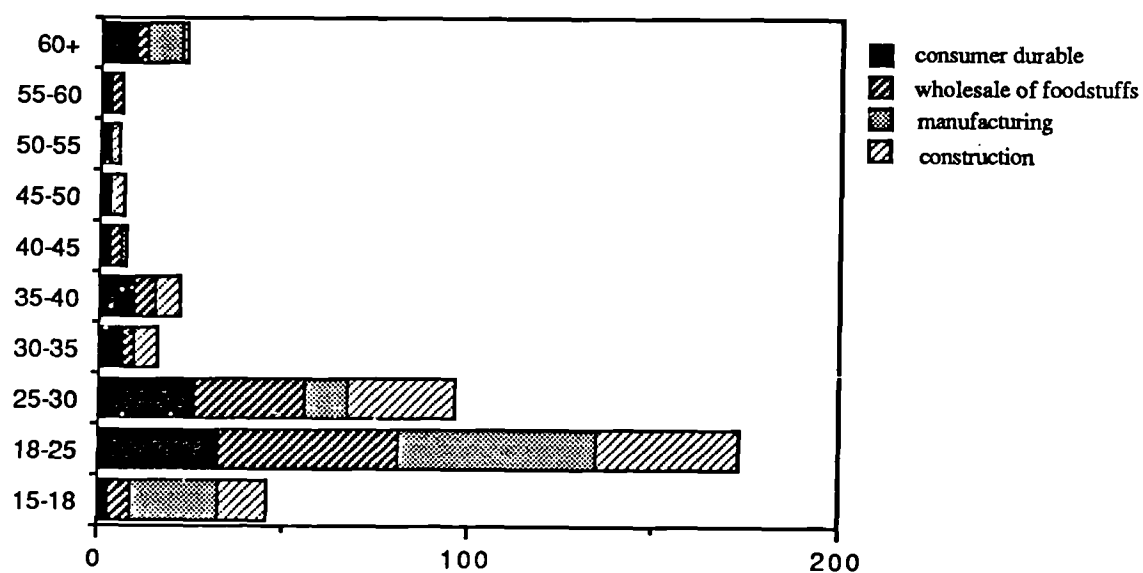
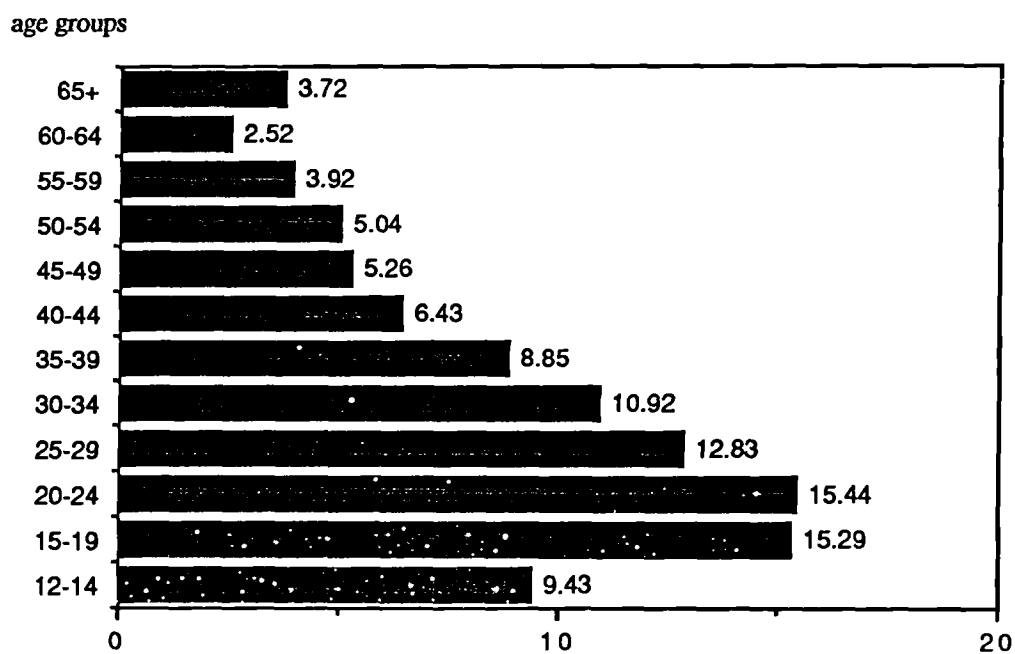


Table D.1- Percentage of population according to the age groups in Turkey (1985)

AGE GROUPS	GENERAL TOTAL(%)	CENTERS OF PROVINCE(%)
12-14	10.73	9.43
15-19	15.42	15.29
20-24	13.67	15.44
25-29	11.55	12.83
30-34	9.68	10.92
35-39	7.93	8.85
40-44	6.16	6.43
45-49	5.56	5.26
50-54	5.83	5.04
55-59	4.63	3.92
60-64	3.12	2.52
65 +	5.36	3.72
UNKNOWN	0.36	0.35

Source: The Census of Population 1985, Ankara, 1989.

Graph D.5- Percentage of population according to age categories in Turkey (1985)



D.2 Previous work experiences of entrepreneurs

Table D.2-Type of entrepreneurs' first occupation

Type of occupation	Consumer dur.	Number of firms and (%)		Construction	TOTAL
		Wholesale	Manufacturing		
not exist	2 (5.9)	2 (5.0)	6 (9.0)	-	10 (4.6)
own business	8 (23.5)	14 (35.0)	8 (11.9)	37 (49.3)	67 (31)
family /shareholding	14 (41.2)	16 (40.0)	17 (25.4)	20 (26.7)	67 (31)
private sector	10 (29.4)	5 (12.5)	33 (49.3)	13 (17.3)	61 (28.2)
public sector	-	3 (7.5)	3 (4.5)	5 (6.7)	11 (5.1)
TOTAL	34 (100)	40 (100)	67 (100)	75 (100)	216(100)

Table D.3- Sector of entrepreneurs' first occupation

Sector of occupation	Consumer dur.	Number of firms and (%)		Construction	TOTAL
		Wholesale	Manufacturing		
not appropriate	2 (5.9)	2 (5.0)	6 (8.9)	-	10 (4.6)
higher education	1 (2.9)	9 (22.5)	6 (8.9)	32 (42.7)	48(22.2)
commerce	19 (55.9)	14 (35.0)	3 (4.5)	15 (20.0)	51(23.6)
manufacturing	7 (20.6)	5 (12.5)	48 (71.6)	11 (14.7)	71(32.9)
construction	2 (5.9)	-	-	6 (8.0)	8 (3.7)
professional	2 (5.9)	5 (12.5)	1 (1.5)	2 (2.7)	10 (4.6)
civil servant	-	1 (2.5)	-	3 (4.0)	4 (1.8)
other	1 (2.9)	4 (10.0)	3 (4.5)	6 (8.0)	14 (6.5)
TOTAL	34 (100)	40 (100)	67 (100)	75 (100)	216(100)

Table D.4- Type of entrepreneurs' second occupation

Type of occupation	Consumer dur.	Number of firms and (%)		Construction	TOTAL
		Wholesale	Manufacturing		
not exist	13 (38.2)	19 (47.5)	23 (34.3)	8 (10.7)	63(29.1)
own business	12 (35.3)	12 (30.0)	12 (17.9)	30 (40.0)	66(30.6)
family /shareholding	5 (14.7)	3 (7.5)	13 (19.4)	7 (9.3)	28(13.0)
private sector	3 (8.8)	5 (12.5)	17 (25.4)	20 (26.7)	45(20.8)
public sector	1 (2.9)	1 (2.5)	2 (3.0)	10 (13.3)	14(6.5)
TOTAL	34(100)	40(100)	67(100)	75(100)	216(100)

Table D.5- Sector of entrepreneurs' second occupation

Sector of occupation	Consumer dur.	Number of firms and (%)		Construction	TOTAL
		Wholesale	Manufacturing		
not appropriate	13 (38.2)	19 (47.5)	23 (34.3)	8 (10.7)	63(29.1)
higher education	1 (2.9)	-	4 (6.0)	23 (30.7)	28(13.0)
commerce	11 (32.4)	10 (25.0)	2 (3.0)	5 (6.7)	28(13.0)
manufacturing	5 (14.7)	8 (20.0)	34 (50.7)	4 (5.3)	51(23.6)
construction	-	-	2 (3.0)	7 (9.3)	9 (4.2)
professional	1 (2.9)	2 (5.0)	2 (3.0)	25 (33.3)	30(13.9)
civil servant	1 (2.9)	1 (2.5)	-	2 (2.7)	4 (1.8)
other	2 (5.9)	-	-	1 (1.3)	3 (1.4)
TOTAL	34 (100)	40 (100)	67 (100)	75 (100)	216(100)

Table D.6- Type of entrepreneurs' third occupation

Type of occupation	Consumer dur.	Number of firms and (%)		Construction	TOTAL
		Wholesale	Manufacturing		
not exist	25 (73.5)	34 (85.0)	45 (67.2)	34 (45.3)	138(63.7)
own business	4 (11.8)	4 (10.0)	8 (11.9)	11 (14.7)	27(12.5)
family /shareholding	3 (8.8)	-	4 (6.0)	1 (1.3)	8(3.7)
private sector	2 (5.9)	2 (5.0)	9 (13.4)	23 (30.7)	36(16.7)
public sector	-	-	1 (1.5)	6 (8.0)	7(3.2)
TOTAL	34 (100)	40 (100)	67 (100)	75 (100)	216

Table D.7- Sector of entrepreneurs' third occupation

Sector of occupation	Consumer dur.	Number of firms and (%)		Construction	TOTAL
		Wholesale	Manufacturing		
not appropriate	25 (73.5)	34 (85.0)	45 (67.2)	34 (45.3)	138(63.7)
higher education	-	-	-	6 (8.0)	6(2.8)
commerce	6 (17.6)	4 (10.0)	-	1 (1.3)	11(5.1)
manufacturing	1 (2.9)	1 (2.5)	21 (31.3)	-	23(10.6)
construction	1 (2.9)	-	-	7 (9.3)	8(3.7)
professional	-	1 (2.5)	1 (1.5)	26 (34.7)	28(13.0)
civil servant	-	-	-	1 (1.3)	1 (0.5)
other	1 (2.9)	-	-	-	1 (0.5)
TOTAL	34 (100)	40 (100)	67 (100)	75 (100)	216(100)

Table D.8- Type of entrepreneurs' fourth occupation

Type of occupation	Consumer dur.	Number of firms and (%)		Construction	TOTAL
		Wholesale	Manufacturing		
not exist	27 (79.4)	38 (95.0)	59 (88.1)	57 (76.0)	181(83.8)
own business	1 (2.9)	1 (2.5)	4 (6.0)	3 (4.0)	9(4.2)
family /shareholding	1 (2.9)	-	3 (4.5)	2 (2.7)	6(2.8)
private sector	5 (14.7)	-	-	8 (10.7)	13(6.0)
public sector	-	1 (2.5)	1 (1.5)	5 (6.7)	7(3.2)
TOTAL	34 (100)	40 (100)	67 (100)	75 (100)	216(100)

Table D.9- Sector of entrepreneurs' fourth occupation

Sector of occupation	Consumer dur.	Number of firms and (%)		Construction	TOTAL
		Wholesale	Manufacturing		
not appropriate	27 (79.4)	38 (95.0)	59 (88.1)	57 (76.0)	181(83.8)
higher education	-	-	1 (1.5)	2 (2.7)	3(1.4)
commerce	3 (8.8)	1 (2.5)	2 (3.0)	1 (1.3)	7(3.2)
manufacturing	4 (11.3)	-	-	-	4(1.8)
construction	-	-	4 (6.0)	5 (6.7)	9(4.2)
professional	-	-	1 (1.5)	8 (10.7)	9(4.2)
civil servant	-	1 (2.5)	-	2 (2.7)	3(1.4)
other	-	-	-	-	-
TOTAL	34 (100)	40 (100)	67 (100)	75 (100)	216(100)

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