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Challenges and opportunities of globalisation for an independent small manufacturer

A case study in Turkey's shipyards

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Abstract

Purpose – Over the past few decades, academic debates on small- and medium-sized establishments (SMEs) have focused on the challenges of globalisation, especially for the independent small producers outside the niche markets. However, the purpose of this paper is to highlight the limits of these sorts of evaluations arguing that globalisation can also provide opportunities for the valuable contributions of such enterprises.

Design/methodology/approach – Drawing on an ethnographic case study in Turkey, inquiries in the paper are essentially predicated on unstructured conversations with the owner/manager of a shipyard investigated, workplace observations and supplementary conversations with employees as well as elite interviews with the Portal Authorities. Additional interviews were also conducted with the owner/managers of three other shipyards.

Findings – The evidence suggests that the opportunities of globalisation can be consolidated with certain HRM strategies including a tailored demarcation of work-life balance, strategized retention for skills shortage, individualised grievance resolutions, employees-led work design, team work, "in-turn" and "mobile" employment. Likewise, logistic management strategies such as downsizing, investment diversification, "queasy-niche" production, use of communication technologies, networking and opening up to global markets may prove highly useful. Even so, the sustainability of independent smaller businesses requires responsive trade regulations about, for instance, tender offers, fair competition and the conflict of interests in addition to "tough-love policies" to protect employment rights.

Originality/value – The paper rectifies the lack of systematic research into the implications of globalisation for the SMEs in shipbuilding industry and their managerial responses.

Keywords Globalization, SMEs, Turkey, Restructuring, Managerial strategies, Shipyards

Paper type Research paper

Introduction

During the shift of shipbuilding to emerging market economies in the past decades, research in the west had focused on the socio-economic handling of industrial decline (Roberts, 1993). In the ex-soviet countries, particularly in Poland, academic debates have mainly dealt with the macro-economic implications of sectorial downturn and privatisation (Valioniene and Druktenis, 2013). In emerging market economies, on the other hand, there is a lack of systematic research into employment relations and the rise of ship making. This paper will rectify the empirical gap by examining the Turkish case.

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In particular, the paper will focus on small- and medium-sized establishments (SMEs) of which strategic importance for the emerging market economies has been well underlined. In manufacturing, such an importance is essentially attributed to the outsourcing services of SMEs for the large corporations (OECD, 2011). As discussed below, a multi-disciplinary literature focused on the difficulties with running independent SMEs, addressing the conventional limits of SMEs and the challenges presented by globalisation regarding both human resources (HR) and logistics management. However, we will argue that globalisation can also provide opportunities for a small company to operate independently and this may benefit globalisation in very critical ways, if the right type of managerial strategies and policy practices are in place. To evaluate our argument empirically, we have undertaken an ethnographic exploration since gaining the trust of participants as the researchers and obtaining reliable data were essential for the in-depth analyses of some sensitive issues such as competition strategies and the concerns over political interventions.

HRM debates

The dependency of SMEs on local economies and their limited financial resources to adopt commercial strategies have long been emphasised (Edwards and Ram, 2006). In recognition of such challenges, they were subjected to more flexible regulations, like waving the statuary recognition of trade unions in the firms with less than a certain number of employees – the threshold is 20 in Turkey (TUSIAD, 2014). In line with this, SMEs have been conventionally regarded as a hub of "secondary labour markets" (Simms and Holgate, 2010).

However, a distinct challenge for SMEs in terms of coping with the global competition has arisen from the fact that larger rivals have an ever expanding capacity to reduce the cost of labour through investment mobility. This puts additional pressures on the employment relations in SMEs (Forth *et al.*, 2006).

Work-life balance was reported to have been most upset in smaller companies at the age of globalisation for the increased working hours. A considerable demand for shorter hours even at the expense of reduced earnings has become an acute problem in such companies (Cam, 2014). Attempts to strike a better work-life balance was also claimed to have been used by employers to impose their working hours agendas on employees (Rigby and O'Brien-Smith, 2010), especially in the shape of zero hours (Green *et al.*, 2010). A weak work-life balance is accompanied by the commitment and low labour productivity issues (Smyth *et al.*, 2013).

Retention has also been referred to as an important issue in SMEs. Unless "trapped" in these kind of establishment due to, for example, family or kinship ties with employers, the employees of such companies were reported to be most likely to have sought a new job due to job dissatisfaction (Rose, 2005)

Skills shortage that SMEs experience is directly associated with the retention issues (Felstead *et al.*, 2007). In particular, high-skill manufacturing companies were occasionally shown to have faced closures owing to lack of qualified staff (Luttwak, 1998).

Individualised grievance resolution is a critical issue among SMEs not least because of the lack of statutory recognition of trade unions (Charlwood and Pollert, 2014). However, many employers in such establishments were claimed to have lacked managerial skills required to devise procedures that would substitute collective negotiations (Edwards and Ram, 2006).

The dearth of workers' participation in decision-making processes was another cause for concern in the case of SMEs since the shop owners tend to maintain a firm

grip on the daily running of their businesses (Green, 2008). When family members are involved in the work, other employees would have even less say (Ram *et al.*, 2011). All these deprive SMEs of employees' insightful suggestions (Gorfin, 1969).

In particular, the lack of team work in SMEs undermines employees' participation whereas it often provides an opportunity for the larger competitors to increase their control over employees by enabling workers to design and check the quality and pace of fellow team members' work (Salis and Williams, 2010).

Part-time employment is a common practice in smaller companies. This has the potential to offset labour cost. However, part-time workers in such companies are more likely to be involuntary compared to their counterparts in larger companies, and the absence of enthusiasm has detrimental implications for labour productivity (Cam, 2012).

Temporary employment which is much higher in SMEs compared to the rest also has the potential to reduce the cost of labour by the leverage of functional flexibility on the basis of skills requirement (Ellingson *et al.*, 1998). Nevertheless, this may feed into the aforementioned problems of retention and skills shortage since temporary employment in SMEs often aims for numerical flexibility by trying to benefit from lower job security (Bradley *et al.*, 2014).

Logistic debates

The challenges that SMEs faced amid globalisation have also been debated in relation to logistic dimensions. Niche production is regarded as quintessential for the SMEs if they are to avoid bankruptcies under the pressure of global competition by the multinationals (Ram *et al.*, 2011). However, niche SMEs are not totally immune to deadly hostilities once their profitable businesses are discovered by the adventurist investors. When the economic activities of SMEs are taken over by the larger companies, franchising big brands usually becomes the way forward (O'Connell Davidson, 1994).

Outsourcing services for the large establishments and multi-national supply chains were also highlighted to have been more secure areas of investments for the SMEs in the age of globalisation (Forth *et al.*, 2006). However, moving to outsourcing, as well as franchising, often requires the restructuring of entire businesses with big capital commitments relative to their size (O'Connell Davidson, 1994).

Investment diversification and downsizing would be an alternative for the SMEs to remain independent without bankrupting under the pressure of globalisation (OECD, 2009). However, new areas of investment after the diversification or downsizing also become prone to competitive dangers overtime, if not immediately (Rege *et al.*, 2009).

Communication technologies have been referred to as the new instruments for the SMEs to make better informed choices in terms of, for instance, raw material and consumer markets (OECD, 2009). Even so, this hope was largely dashed by the growing dependency of online customers to company sizes as a sign of trustworthiness (McColl-Kennedy *et al.*, 2011).

Globalisation is considered to be inherently in contrast with the nature of independent SMEs outside the niche markets, especially for, among others, the rationalisation of world economy in the shape of functioning efficiently with the optimal cost-reduction strategies. It was argued that the size of SMEs was not conducive to the planning and organising of commodity circulations from the production of raw materials to the retail sale at the global scale (Luttwak, 1998).

Networking at the local, national and international levels for the rational functioning of global businesses, in particular, is deemed to be beyond the capacity of SMEs despite the rise of communication technologies. This is not only because of the financial limits of

the SMEs, but also about their weak influence on political spectrums to lobby for the introduction of new regulations in support of global businesses (Deng and Kennedy, 2010).

However, this paper will challenge the approaches debated so far in terms of their common assumption that, at the age of the globalisation, SMEs have to face either closure or become side-lined as the subordinated partners of transnational corporations (Hertz, 2001). Using the case of shipyards industry in Turkey, it will be shown that a small company can survive outside the niche markets and outsourcing services, running businesses independently around the world not least thanks to its small size.

Globalisation of Turkey's shipyards

Especially over the past decade, Turkey has undergone a silent revolution as various economic and political reforms have been introduced in order to attain one of the fastest and largest of emerging economies in the world amid the preparations for the EU accession talks.

In the shipbuilding sector, the Turkish army had long opposed foreign capital, citing national security. However, to initiate the transformation of shipyards from a cottage industry to a global one, the government rebuffed the generals – whose pension fund privately owns one of the largest shipyards in the country. Sectorial expansion became considerable: the output capacity increased from half a million in 2002 to 3.6 m dwt in 2012. Meanwhile, the annual export volume of the ships built soared from $490 m up to $1.3 bn. Turkey ranked sixth in the World with 81 new ship orders by the end of 2012. Upon the completion of all investments, total capacity is expected to rise to 7.2 m dwt (Ship2Shore, 2012).

The adverse impacts of recession on the Turkish economy have been well highlighted (TUSIAD, 2014). The damage, however, was not evenly spread since, differently from smaller firms, the larger ones were able to take effective measures. Larger corporations tended to remain safer, if not benefiting from the recessionary climate through, for example, speculative investments in foreign currencies and state bonds (ISO, 2013). They were also provided with the government-supported hedge-funds as a protection against stock-market fluctuations (Torlak, 2013).

Despite the long-term success of ship making, the sector has begun to fall into a crisis following the 2009 recession. Notably, there had been more than a tenfold increase in the number of employees in the industry during the decade preceding the beginning of recession in 2009, circa 34,000. On the basis of such an expansion, the Chamber of Ship Makers had optimistically predicted a similar increase in the following decade, but the existing employment capacity actually plummeted by one-third in 2012 (UBAK, 2014). The annual export volume of the ships also halved between 2009 and 2012 – to $1.3 bn (Ship2Shore, 2012).

SMEs in shipyards

The crisis in the shipyards is mostly related to SMEs: They account for roughly 50 per cent of the ship-making industry. One in five SMEs were closed down over the past few years (GISBIR, 2015). In the Black Sea region alone almost 1,500 enterprises were reported to have come to a halt in 2013 (Hurriyet, 2013). Despite the lack of publically available statistics, the head of the Portal Authorities also mentioned even worse trends in the Marmara region when he was interviewed.

However, it would be wrong to reduce the unprecedented demise of small companies in the ship making industry to the recession. There is a crucial gap in our knowledge

about the implications of restructuring for smaller workshops: exits from the industry, for example, may have something to do with competitive market pressures from the recently emerging larger manufacturers (OECD, 2011).

Smaller shipyards in Turkey also have limited room to manoeuvre against larger firms since they cannot make tankers or castells. They can only make small boats, especially for fishing (usually no larger than 30 feet in length and 15 feet in width). Nor can their manufacturing go much beyond assembling: Main parts such as propellants and electrical equipment come from specialist companies (GISBIR, 2015).

Further, the anecdotal evidence reported in the press suggested that many of the SMEs were forcefully sealed up for failing to comply with the new regulations aiming to restructure the sector for an improved global competitiveness, especially with a new site-licence scheme (Haberler.com, 2011).

When interviewed, the head of the Portal Authorities confirmed that many of the closures were triggered by the introduction of new regulations amid the restructuring about the quality standards, safety installations and site licences. He acknowledged that:

> The latter was the trickiest one for small ship-makers since they often move from one place to another, depending on the regional density of jobs and the availability of cheaper coastal lands to rent.

Method

The present paper will report the results obtained through an ethnographic exploration that took place in 2015 and 2016 on the experience of a smaller manufacturer with the restructuring of shipyards in Turkey.

The company studied is located in the Marmara region where most of the shipyards are situated as well as many of the small workshops that have filed bankruptcy amid the restructuring. This one is among a few surviving small establishments in the region – small establishments in Turkey are officially defined as the ones with less than 50 employees as opposed to the medium-sized ones, with up to 250 employees, in line with the international literature (Forth *et al.*, 2006).

The paper essentially focuses on the findings from unstructured conversations with the owner and manager of the smaller company investigated, albeit there are also references to some conversations with three employees, in addition to two elite interviews with the Portal Authorities. The reason for this is because we wanted to unwrap thoroughly what it is like to run a small business fighting to survive through the challenges of industrial restructuring. To cross-examine specifically some critical claims about the government policies, however, we have also undertaken unstructured interviews with the owner/managers of three other small shipyards.

We have conducted observations in the workshop to supplement unstructured conversations. This has been conceived as a way of avoiding the danger of taking face-values (Atkinson *et al.*, 2003). Six sessions of daily observations started in January 2015 and continued until June 2016 on a quarterly basis. Observations covered all parts of the shop from the kitchen to the main office and production units. Both of the researchers took part in the observations accompanied by either the owner/manager of the company or an employee. In addition to obtaining some direct data on, for example, the organisation of work, the sessions inspired a number of questions that we could not have thought otherwise, such as the ones on "irregular" ship designs and wreckage salvaging.

Although we managed to contact a number of gate-keepers via the Portal Authorities, we did not use only such channels for the risk of a skewed selection toward like-minded

participants with snowballing (Hennink *et al.*, 2010). We specified a number of workplaces and then contacted them directly. Luckily, no firm has turned us down and, in the end, we have chosen the most suitable one for the purpose of this research.

Ethical matters have been given a special consideration: Results are presented anonymously using pseudonyms. We will use an imaginary name Alperen for the main participant ship builder, as his own choice. Due to political sensitivities, the company and personal details are reported in a way that cannot be traced back to the data sources.

Case study

Alperen uttered that my company's got reduced to ashes in the past few years. He lost employees, up from hundreds, down to less than a dozen. Meanwhile, the market value of his firm went down to a couple of million dollars from several millions.

However, Alperen was one of the few lucky ones among smaller manufacturers since he managed to convince the officials for a site-licence on the condition of contributing to teaching and making donations in a local ship-making college. He displays several plaques in his office awarded for such activities. Alperen is the only one with a site-licence in the Marmara region: well, he corrected, there is another one, but it will be closed down soon since the authorities wo not renew the licence for environmental issues.

Alperen also said that I have no intention to quit the game. He hopes to run the business with his son after his graduation from the engineering school. The question is how Alperen's company has managed to survive so far. The answer largely lies within the strategies he developed for the HR and logistics management.

HRM strategies

A number of HR strategies introduced in the company to keep it alive and perform better. These include managerial delayering, a tailored demarcation of work-life balance, strategized retention for skills shortage, workers-led organisation of jobs to boost commitment, individualised grievance resolution, team work, "in-turn", "tasheron" and "mobile" employment.

Managerial delayering came to the company during the downsizing, but Alperen also paid specific attention to the reorganising of work in a way that he would not need to pay for the company management:

> Large firms have top managers, and then middle managers and then intermediate managers before the foremen and team leaders. All these mean that somebody has to pay for the expensive life styles of managers. Who is going to finance those expenses? Of course customers! But the owners of smaller companies are both managers and workers. When customers come to small workshops, they just bear the real cost.

A tailored demarcation of work-life balance was conceived to handle overemployment as a common result of overtime in shipyards (Aykac, 2008) with, arguably, potential problems for the work-life balance (MacInnes, 2005). Recent decline in the number of employees during the downsizing has made overemployment more pronounced. Alperen himself also works long hours, so much so that he often sleeps in the workshop. This has implications for the work-life balance. He is a community leader consulted by the members of his extended family and relatives on a variety of matters from wedding organisations to funeral details. He said that:

> Because I am so busy with the work, I am trying to stay away from community responsibilities. I could not even go back to my home town for more than a year to see mom.

Alperen is struggling to spare time to take care of his wife who has recently been diagnosed with a positive smear test. He faced further pressures since his foreman and brother, Asim, was bitten by a crazed dog almost to death, leaving him incapacitated to work.

Nevertheless, Alperen hardly complains about the extended hours of work as such. If anything, he welcomes it:

> I find peace at work that I could not get in helping the community members, or to be honest, in never-ending arguments at home. I love my work so much so that I do not even call it work. It is also gratifying that doing more work enables me to support the beloved ones in different ways, like being able to pay all sorts of medical expenses of my wife in the most expensive hospitals and looking after my brother's wife and children. Spending less time at home saved my marriage.

Some employees also have a similar sense of work-life balance with Alperen. For example, the security guard sleeps and lives in the workshop, but he does not seem to be concerned about it, since he had no contact with the rest of his family for 35 years, anyway. Likewise, the cook who is the only woman in the shipyard as Alperen thinks that engineering is not a job for women, works long hours seven days to cater three daily meals for the staff. She goes home late to see her husband and son, then returns back to work in the early hours of morning. She admitted that I could not afford my son's university fee otherwise. She then praised her husband:

> He is a very understanding and civilised men. [She fears that] it has been like this for a while and I am now so used to that I just would not know what to do at home if there were cuts in my working hours.

Strategized retention is critical due to skills shortage that help explain the over employment issue in shipyards (Aykac, 2008). Alperen underlined that:

> It has been always difficult to find qualified staff, but after the closure of small workshops in the Marmara region, it became more so since workers moved away from the coastal villages or gave up sleeping in shipyards in favour of metropolitan areas to seek alternative jobs.

To secure retention, he gives workers three-free meals every day.

Participation, Alperen claims to have discovered, is the best way to motivate workers: boosting commitment and labour productivity are vital for him in the face of the shortage of qualified workers and the retention issues. He believes that:

> You cannot make workers productive by higher salaries for a long time. They will start asking for more soon. I already pay very handsomely, over ₺2,000 net per month for a qualified worker, anyway. But you can make the staff much more productive by allowing them to make decisions. If we do the work in the way they have suggested, then they will do their best to prove that their ideas are right.

Individualised grievance resolution is apparently the only way for workers since small employers do not have to legally recognise trade unions at the workplace level. This is exactly the case in Alperen's company. When there are grievances, workers can hardly take a collective action. However, Alperen is of the view that:

> You cannot be selfishly opportunist against workers. You have to be fair for the sake of both worlds. If not, then workers would make you pay for it in one or another way, anyway.

He shared the details of the two fatal accidents to give an example: one worker got poisoned and the other one was electrocuted. He does not think that it was his fault:

> The slain workers had not followed the routine steps. I can't possibly check on each and every worker all the time.

Due to deaths, a public hearing was staged. Alperen thought that the verdict was rather arbitrary. He stipulated that:

> One inspector put all the blame on the workers, and the other one put twenty percent on me. Accidents upset Alperen not only to having two heart attacks but also to taking a companionate stance: I did not appeal. If I had done, I could get the case prolonged no less than ten years. I said, "the finger cut by Sharia does not hurt". I did my best to help the families of lost workers.

Team work helps increase workers' productivity, along with the physical demeanour of the work: We have observed that the main production is carried out around one or two ship frames under-construction. This means a lack of physical compartmentalisation in the workshop and, hence, a constant surveillance on workers by the chief engineer, that is Alperen himself. However, controlling workers is also consolidated by team works. He noted that:

> Each team has certain responsibility and tasks to complete in certain times. That is, success or failure will be about collective discipline as well as individual performance.

"In-turn" employment appears to be a convenient name for what Alperen devised in order to curtail the cost of labour. "In-turn" workers are employed only for certain number of days or weeks and they may be called back if they are needed. In this sense, it looks like some sort of irregular temporary employment, but it may also turn out to be a permanent part-time work continuing for years. Alperen clarified that:

> Most of the tasks are sequential. That's why you don't need to call everybody in at the same time […] I have people working with me like this for several years.

Alperen adds the team element to "in-turn" employment as well. He split the work into blocks so that each block is handled by a team of "in-turn" workers. In this way:

> I benefit from workers' power to control each other's performance as well as enabling them to benefit from the easiness of working with the people they know.

"Tasheron" work is a commonly used type of temporary employment in shipyards, four in five (Yilmaz *et al.*, 2015). This is seen as a response to seasonal fluctuations in demand because of the fishing quotas. It also reflects the project-based and contingent nature of the jobs (OECD, 2011). "Tasheron" workers are recruited as the employees of "tasherons", intermediary employers. Differently from the temping agencies, "tasherons" work as foreman and business-subcontractors in the companies (Nichols and Sugur, 2004). However, Alperen complained that:

> Although "tasherons" are supposed to provide workers, they actually snatch my personnel by tempting them with higher wages.

"Mobile Temping" has emerged as a solution to help address temporary staff shortage. Alperen highlighted that his company and some other workshops in the neighbourhood started to use a special type of temporary workers, "mobile temps". We call them "cantaci" (tool-boxer). They can go from one company to another on the same day without paying any tax or things like that.

Logistic strategies

The trajectory of Alperen's firm reveals a number of useful logistic strategies for his company such as business diversification, "quays-niche production", the use of information technologies, locational mobility, going global and networking.

Business diversification is one strategy that the survival of Alperen's shop was heavily dependent on. Once the company has been downsized, Alperen shifted the business to periphery activities such as maintenance, conversion, repairing and dismantling. He said that the growing diversity has helped the business floating over the past few years.

"Queasy-niche" production was a good example of innovative strategies deployed. Alperen does not actually operate within niche markets since he does not produce anything unique. However, his high skills add peculiar dimensions to the work he does. He can, for instance, make very reliable non-standard boats within a very effective time frame. This creates some sort of shield for the workshop against competitive pressures:

> Sometimes customers need vessels with unstandardized sizes. Getting them nested (projected) is time consuming and expensive. I can craft such designs with no calculation at all. And guess what, I work with the ISO and RIM quality assurances. If I use 200 tonnes or more of metal sheet, then I use the best quality control agency in the World, the Italian RINA.

The use of information technologies has become very instrumental for Alperen's work to discover and exploit business opportunities beyond as well as within the locality. Alperen noted that:

> I am doing internet surfing all the time to get new projects. I have my portfolio ready to apply online anywhere I want.

The information available on his website also reassures potential clients that a sufficient sum of deposit for biddings is available, in addition to useful details about the establishment.

Locational mobility gives room to Alperen for flexible business manoeuvres. Before having the site-licence, Alperen had rented cheaper coastal lands to manufacture ships. After obtaining the licence, he continued to do so occasionally, but for strategic purposes this time. When he is not allowed to dismantle a ship in his workshop due to environmental regulations, for example, he moves the wreckage to Sarkoy to go ahead with the job: it cost me fortune, but it is still worth commercially.

"Small but Global", Alperen boasted proudly, would be an informative slogan in my company's website. He feels confident with a small firm in the global arena. His account indicates that smaller companies may offer globalisation highly valuable direct international operations:

> I have recently grabbed a job in the Caspian Sea to salvage Russian Tankers for Azerbaijan […] I reckon that the Caspian is full of Soviet wreckages. They need to be removed for oil explorations.

Critically, however, Alperen's optimism about the global markets is not just based on the quantity of works. The case of wreckage salvage shows that smaller enterprises can stay relatively safe against the rivalry of larger merchants since they can provide a variety of "queasy-niche" services:

> I charge, for instance, pay-as-you-go after each removal whereas a large company would rely on long-term deals which are hard to strike because no one knows for sure how much work is left.

Smaller manufacturers may have more favourable edges in the international competition. This is not only for the lower managerial expenses discussed previously,

but also for the under regulation of internationally operating smaller firms with regard to issues such as taxation and deposits:

> Just put together a number of engineers and the necessary paraphernalia, and then off you go.

Alperen is also pleased that:

> Such works mean peace of mind, since they involve no non-sense like hostile dumping or warranties by large holdings.

Networking is like a life jacket, says Alperen. His skills help him tap into strategic networks:

> I am a highly appreciated engineer, although this is only through heart-learning rather than a formal qualification. Everybody calls me to get my opinion if there is a rescue operation or difficulty in terms of engineering technicalities.

Alperen is very knowledgeable about the raw-material markets as well:

> I know the market more than most. People consult me to decide what material to get where. All these buy me friends in the business circles.

He believes that the future performance of his business would also be assisted by political networking. He said that I have strong connections with one MP from the – ruling – AK Party and another one from CHP, the main opposition party. I hope they will help me get loans. However, there are some policy concerns in terms of the future success of small shipyards as discussed in what follows.

Governance deficiency

This section will first highlight the need for further regulations in terms of the viability of employment relations in small shipyards. Then it will focus on the concerns over the under regulation of trade as an obstacle for better business performances.

Under regulated employment relations

Alperen benefits from the limitedness of workers' rights in shipyards. For instance, a practical issue in terms of workers exercising their democratic rights in shipyards is the heavy presence of gendarme outside the town centres as the major policing force. Differently from the police, however, gendarme is not accountable to civil courts in the events of mishandling (Öz, 2013). Any kind of workplace resistance is rendered virtually impossible in shipyards by the gendarme. The chief gendarme officer often visits Alperen's workshop, and he may get free lunch as well as a complimentary diner box. The exchange of some jokes between the lieutenant and the researchers gives a feeling about the atmosphere: On his entry to the canteen, the commander asked us:

> Who are you? Are you doing politics?
>
> We said: No we are just talking about the president.
>
> He replied: So you are doing politics then.
>
> We denied: The president is constitutionally above the political parties and politics as the representative of all citizens at the top of the state.

When asked his opinion about Turkey being urged by the EU to relinquish the gendarme as a provision for the accession talks, Alperen stated that I am very happy with having the chief around.

However, the absence of proper regulations to enable workers to exercise their democratic rights may turn out to be some kind of honey-trap, especially for a small shipyard. Government's attempt to introduce health and safety regulations in smaller shipyards with the threats of trading suspensions, for example, presents a financial challenge, creating some reservations among the employers (Bianet, 2008). Even so, the accidents with serious injuries and death are not sustainable at their present rate, over 110 lives were lost, for example, from 2001 to 2011 (Barlas, 2012). It also becomes a lot costlier when a small firm is occasionally fined with hefty reparations due to public outcry. This should be put against the condemnation of parsimonious compensations by the unions (Gercek Gundem, 2014).

Alperen's experience illustrates how the insufficiency of health and safety regulations harms people and companies, alike. When he had, for instance, negotiations with the families of two deceased workers in his workshop over the reparation, one family explicitly asked for two flats, but he refused. The family had no means to insist on the demand, rather than going to court. Then, Alperen's firm was fined with a huge sum of compensation, ₺225 k for one of the victims, but total claim may go up to 4 m.

Alperen's account provides further insight into safety threats owing to enforcement shortages against negligence in shipyards as a whole. He mentioned two common sources of risks for health and safety:

> One is technological threat and the other one is human error. Alperen reckons that you can't do much about the human error. People are being careless even after losing their close relatives, it is like drink and drive. Companies are the same. Ships are full with tons of oil, take as an example, and that's why you have to keep them away from each other, but in most workshops ships are on top of each other. He also said that the most dangerous thing in the industry is getting poisoned by paint and stripper while polishing in-depth with pressure. You have to use oxygen mask for breathing. Industry has to move to rustic (water-paint) as it is a lot less hazardous than bulb (air-paint) which is currently banned.

Under regulated trade

Now, let's have a look at the concerns over the risks imposed on small shipyards by patronage, oligopolistic tendencies and the conflict of interests.

Patronage has long been a matter of public debate in Turkey. Ruling parties are frequently blamed for partisan practices. So much so that such propensities are regarded as the back bone of the political system. Political parties, for instance, are claimed to recruit delegates by promising decent jobs and promotions (Heper and Keyman, 1998). Clashing with the strongly secular tradition of establishment, in particular, Islamic traits of the present government has added new layers to partisan inclinations in society.

It may become a rational strategy for companies to tap into political networks for favouritism, not necessarily with the ruling AK Party only, but also with the Nationalist Front and the Camia a nationally influential Sunni order – which has faced a major crackdown for complicity in a failed coup d'état in July 2016. Patronage helped Alperen a lot to obtain the site licence along with his previously mentioned contributions to the college of ship makers:

> I just met a mayor from the Nationalist Party in my home-town. Actually, he was the one who helped me out about the site-licence.

Here it is important to note that Alperen's comments on patronage are confirmed by the owner/managers of three other small shipyards interviewed. Manufacturer Osman, for example, said that:

> A minister called me recently and asked to do a project. He is a friend of mine, otherwise I could not get the job.

However, nepotism may also undermine the precarious positions of smaller ship makers. Indeed, cronyism, for instance, was the reason why Alperen could not move into outsourcing services: "Outsourcing contracts are mostly granted under the influence of Islamic brotherhood" according to Alperen. He stipulated that if you are not a practicing Muslim, life is difficult for you as a manufacturer. Alperen disappointedly added that:

> Non-Islamic manufacturers (who are after subsidiary projects) may too benefit from favouritism (especially with the secular military's ship-making companies), but only if you have admiral friends in the army.

Alperen lent another story about an unpleasant experience with patronage:

> I wanted to dismantle a ship last year, but the officials did not let me, saying that I didn't have licence for that. Couple of months later, the next workshop few miles down the shore dismantled a big ship, but no one said anything, since the owner is very friendly with the up-stream folks.

Alperen has taken legal action against the officials. He vowed that they asked me to drop the case but I would not, because I am right.

Oligopolistic tendencies cause further concerns for smaller ship manufacturers. Recessions in Turkey paradoxically benefit some large corporations through currency speculations as commonly known in the business circles (ISO, 2013; Torlak, 2013). Referring to this, Alperen expressed his scepticism over oligopolistic politics that, he believes, has resulted in the mishandling of recession. He said that:

> Although fluctuations in dollar had severe impacts from the beginning of the recession, the government did nothing to protect small shipyards. The ministry pledged to help, but they did not keep their words. I would be better off, had they not fabricated false hopes. He thinks that this was one of the most important factors for downsizing my company.

Alperen is of the view that the government behaves like the puppet of bigwigs and as if an enemy to smaller companies. He complained that it is difficult for most small businesses to survive, let alone thrive. He claimed that government is complacent about wrong doings:

> Some large traders break the law at the expense of the rest. They often resort to shenanigans, joining tender offers just to exhort money from genuine bidders with the threat of rising the stake. But the government turns a blind eye to them.

Alperen summarised his thoughts on oligopolistic pressures with a popular saying: big fish eats small fish.

Alperen's criticism of oligopolistic politics again resonates with the experiences of the other three ship builders. Manufacturer Hikmet said that:

> We set up a consortium among few small shipyards last year and won the bidding. But the job was not given to us and we could not do anything about it.

Conflict of interests is another cause for concerns. The conflict is reportedly stemmed from what critiques dubbed in the UK corporate takeover of the state. That is, successful businessmen occasionally join political parties and they become influential bureaucrats, MPs, cabinet ministers, if not prime ministers, once they are able to do so (Monbiot, 2001). In Turkey, however, the process is often claimed to work in the opposite direction: the statesmen with relatively modest backgrounds abuse their power to gain the ownership of large companies, including shipyards (Karabagli, 2014).

The conflict of interests is perceived as a big challenge, especially for a small manufacturer: Alperen argued that even if not all, many of the smaller workshops wanted to compromise over the new regulations and have site licences, but the government did not actually give authorisation. He said that:

> Ministers and bureaucrats started to takeover large shipyards in recent years. They opportunistically buy some ships and shipyards in trouble, rather than helping. That's why, they want to eliminate small shipyards. They want it all, including the manufacturing of small ships.

When the government opens tender offers, successful bids of the firms owned by high-ranking officials generate doubts. Alperen is convinced that he is discriminated against since he can't win the bids even if he makes the best-value offers. He reiterated some press allegations that:

> Crooked statesmen run the country for themselves. Everybody knows that this is a dodgy administration, but you can't put them on trial because they keep exiling persecutors for launching embezzlement probes.

Alperen said that the conflict of interests was another essential factor for downsizing the firm:

> I joined a bid in Tunisia a few years ago. Then the government officials told me that I was not allowed since I did not have legal permission. Rubbish, I didn't need it. Later I learnt that the job was grabbed by the son-in-law of a senior minister. Unfortunately, I could not withdraw my deposit, because the contract stipulated that the deal was irrevocable […] But I didn't know then what the word "irrevocable" was.

Alperen's concerns over the conflict of interests were shared by all three other ship makers. Manufacturer Nabi said that:

> The shipyards owned by the bureaucrats is a small proportion, but if you make lower offers than them at the biddings, for example, then your business is in trouble.

Discussions

Academic debate on SMEs in general have focused on the challenges of globalisation in recent decades, especially in the case of independent small producers outside the niche markets (Edwards and Ram, 2006; Smyth *et al.*, 2013). However, the findings suggest that globalisation does not only present challenges to such companies but also opportunities if the appropriate managerial strategies are ensured.

The present study failed to find an intrinsic link between the closure of small shipyards and competitive market pressures from the larger manufacturers, unlike what the conventional competition theories suggest (Held *et al.*, 1999). On the contrary, a smaller shipyard can be more competitive in the manufacturing of small vessels and peripheral works owing to their locational mobility to follow the regional density of available projects as well as the lower cost of land, management and labour for such firms (Bradley *et al.*, 2014).

The evidence highlights that the challenges of globalisation may become more manageable for a small shipyard with certain HRM strategies. The departure of skilled workers from the Marmara region and the industry after the closure of smaller workshops, for instance, has deepened the problem of skills shortage, triggering a growing pressure on retention (Felstead *et al.*, 2007). Nonetheless, the problem was addressed by the use of "mobile workers" (OECD, 2011; Yilmaz *et al.*, 2015). Some other inventive tactics were also developed at the company level such as providing "three-free meals a day". Further, various commitment and productivity issues were engaged with by giving, for example, a say to workers in decision-making processes about the production design (Green, 2008).

The search for survival strategies reflected on extended working hours which had already been highly pronounced in shipbuilding (Aykac, 2008). This had implications for the work-life balance: working longer hours left less time for social activities (MacInnes, 2005). However, there is an important lesson to be drawn here: longer hours do not necessarily mean a deteriorated work-life balance (Rigby and O'Brien-Smith, 2010). They can paradoxically improve the work-life balance from the employer and employees' points of view, depending on the individual characteristics of people. Financial gains, the chance to look after family members more adequately, a less overwhelmingly organised use of social time and greater job satisfaction can culminate in a better work-life balance than shorter working hours *per se*.

Opportunities for an independent manufacturer can also be consolidated by logistic management strategies including the use of transport-communication technologies and business networking (Forth *et al.*, 2006). Likewise, the results presented in this paper pointed to the vital importance of investment diversification by moving from core production to subsidiary works, such as dismantling, conversion and maintenance (Ram *et al.*, 2011). Although it may not be chosen voluntarily, downsizing has further benefits to avoid a bankruptcy (Rege *et al.*, 2009).

In the company investigated, however, none of the strategies mentioned above would be enough to remain in the business without opening up to global markets by starting to join tender offers around the World for a variety of jobs from the manufacturing of small vessels to wreckage salvage. In other words, globalisation is not necessarily about multi-national conglomerates (Luttwak, 1998). Nor is it true that small manufacturers as such are bound to be side-lined in the shape of providing peripheral outsourcing services for the large firms (Hertz, 2001). A small shipyard can directly take part in commercial activities around the world thanks to the transport and information technologies. In particular, the evidence indicates that the small size of a company may well become an advantage for competitiveness in making critical contributions to globalisation, especially by providing "quays-niche products" such as "pay-as-you-go" deals and non-standard boats.

Nevertheless, future research should further explore smaller workplaces for better informed debates by highlighting the challenges and opportunities more substantively as well as relating investigations to larger shipyards with regard to restructuring and employment relations.

Conclusions

To rectify the lack of systematic research specifically into the globalisation of shipyards, this paper explored the Turkish case analysing the implications of restructuring for a small shipyard along with the company responses. Notwithstanding the long-term success of ship making in Turkey, the sector has fallen into a crisis after

the 2009 recession. The turndown was felt especially in small shipyards. The evidence presented in this paper has shown that the difficulties that smaller shipyards faced cannot intrinsically be attributed to the economic characteristics of such companies. If anything, their small size can turn out to be a strategic advantage, paving the way for the valuable contributions of an independent small producer outside the niche markets.

The hardships that smaller ship makers have endured so far as well as their future success are most related to some manageable policy challenges. The restructuring of shipyards has been blended up with a perceived mismanagement of recession: smaller manufacturers felt let down by the government with, for example, false promises of support whilst allowing larger corporations to invest in speculative currency fluctuations at the expense of their smaller counterparts (ISO, 2013; Torlak, 2013).

The research evidence substantiates the concern that the closure of smaller companies is much related to the newly introduced site-licence scheme (Haberler.com, 2011), especially because of their reliance on moving to cheaper lands. However, the findings also imply that even if smaller shipyards accept to comply with the site-licence requirement, they may still face arbitrary obstacles. Arguably, this points to oligopolistic pressures on policy makers (Nichols and Cam, 2005).

Another policy challenge is the democratic deficiency. The lack of unionisation in smaller shipyards and keeping collective resistance out of question through juristically unaccountable gendarme (Öz, 2013) deprive workers of all options rather than taking legal action against employers in the case of industrial disputes. However, public confidence in courts is very modest (Acar, 2015). It is crucial to underline that the dearth of democratic regulations is not necessarily good news for the companies: in the case of health and safety, for example, the limitedness of employee rights may turn out to be some kind of honey-trap, especially for a small shipyard. Although there is some managerial reluctance about spending on health and safety, it becomes a lot costlier when a small firm is fined with hefty reparations due to occasional public outcries or reputedly discriminatory policies against smaller establishments (Barlas, 2012).

Pro-Islamic, secularist, sectarian and nationalist favouritism (Heper and Keyman, 1998) is a day to day worry for a small ship maker, and the access to these sorts of patronage networks is much influenced by the stakeholders' power. Such a situation renders smaller manufacturers virtually disadvantaged. However, the findings presented in this study also illustrated that prioritising one small firm over another can be similarly damaging.

The restructuring process is further complicated by a perceived conflict of interests (Karabagli, 2014). The concerns over the complacency of statesmen about the potential conflict of interests in undertaking the ownership of large ship-making companies generates doubts in a small shipyard hanging in the balance.

Some implications of the findings for policy practices are worth outlining. Dealing specifically with underemployment and overemployment, as defined by personal preferences for longer or fewer working hours (Cam, 2014), can be more effective than a universally compulsory reduction in working hours to strike a better work-life balance. For ethical reasons, in addition to the viability of retention and labour productivity, it is essential to devise regulatory interventions in improving the quality of work. Sustaining the contribution of smaller companies to ship making also requires preventing their limited resources from becoming wasted for health and safety compensations by overcoming the under-regulation issue in the first place. More decisive checks and balances should be deployed to address oligopolistic tendencies, favouritism and the conflict of interests. Besides, the government can discourage larger

corporations from investing in currency speculations at the expense of both national economy and export-oriented smaller shipyards. Finally, it should provide much-needed information and guidance services, especially for smaller shipyards about the business prospects around the world.

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