

Growth potential of small firms in Turkey: A sociological study of the OSTİM industrial estate in Ankara

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Abstract

The aim of this study is to examine the growth potential of small firms with special reference to the OSTİM¹ industrial estate in Ankara. The study also attempts to explore the relationship between the socio-economic characteristics of small employers and small firms' growth potential by looking at factors such as new investment, employment creation, expansion of shop size, access to new markets and entrepreneurial skill. In addition, it tries to find out the relevance of the recent debates on small firms (such as post-Fordist interpretations and flexible specialization) and to explore whether the case of OSTİM confirms the re-emergence of the small firm sector of the economy relating to the use of modern technology, flexible production techniques and design.

¹ OSTİM is an abbreviation of the Middle East Industrial and Commercial Centre [Ortadoğu Sanayi ve Ticaret Merkezi]. It was the biggest estate with over 2000 work shops in Turkey at the time the fieldwork was undertaken (OSTİM Industrial Catalogue 1991). The research was conducted in 100 small firms at OSTİM in 1993. The firms were selected by the use of random sampling in the general field of metal manufacturing. Interviews with each small employer lasted, on average, 2-3 hours and both qualitative and quantitative accounts were used to analyze the small firm in a wider socio-economic context.

1. Small firms: A socio-economic analysis

Studies of small firms have predominantly focused on economic accounts by analyzing the role and position of small firms in economic development, both in developing and developed countries (Todaro 1980; Anderson 1982; Little *et al* 1987; Bannock 1981; Ganguly and Bannock 1985). Small firms are regarded as essential to the economy for creating employment opportunities and for their contribution to economic development in terms of input, output, value added and the like. The proliferation of small firms in times of economic decline and recession is considered to serve as a life-boat in preventing further deterioration of the economy. It is generally believed that depressed labour market conditions push individuals into small scale economic activities. According to Bögenhold and Staber (1991:235), self-employment tends to increase in times of high unemployment and slow economic growth. Gerry (1985) claims that people who make their living in small scale economic activities survive in the marginal areas of economic activity where profit opportunities are limited.

On the other hand, it is argued that differentiated market demand, growth of trade unionism in large production plants, obsolescence of large firms's production system in responding to customized demand, and a decline in mass consumption of standard goods increasingly undermines the position of large firms in an unstable and uncertain environment and, thus, favours, the growth of small firms in capitalist economies (Piore and Sabel 1984). Small firms are more likely to respond to changes in the pattern of demand in the market since they are capable of producing a wider range of goods through the use of more flexible production techniques. Therefore, it is asserted that current changes in the market necessitate firms that can easily and quickly respond to changing conditions and it is the small firms that have the capacity for flexibility. Thus, flexible specialization clearly works to the benefit of small firms at least to the extent of offsetting the competitive advantages of economies of scale traditionally enjoyed by large firms (Kumar 1995:44).

Another factor contributing to the growth of small firms is the establishment of a wide range of subcontract relations between large and small firms (Wattanabe 1971 and 1978, Toivonen 1989, Sengenberger *et al* 1990). In developing economies, along with the factors mentioned above, it is asserted that migration, a rapid growth of population both in the rural and urban areas and a lack of employment opportunities in the formal sector of the economy have increased the number of small firms (Davies 1978, Bromley and Gerry 1979, Todaro 1980 and Sethuraman 1981).

Table 1
Economically Active Population, Self Employment and Family
Workers in Turkey

	1989	Percentage in total labour force
A= Self-Employment	5,262,904	28.2%
B= Unpaid family workers	6,770,834	36.4%
A+B= Total	12,033,738	64.4%

Sources: Statistical Yearbook of Turkey (1990).

As far as the Turkish case is concerned, the employment structure consists mainly of small scale economic activities. As Table 1 shows, 64% of the economically active population including unpaid family workers are engaged in small scale economic activities.

According to Table 1, almost two thirds of the economically active population is employed in small scale economic activities. The number of unpaid family workers who are mainly employed in the rural areas but not necessarily in agriculture is also very high. Recent studies on the rural industries of the various regions of Turkey (Çınar 1987, Ayata 1987, Aktar 1990, Kaytaz 1990) have shown that, especially in the carpet industry, the majority of the labour force is unpaid family labour including children. Nevertheless, it is important to note that the number of small employers who are self-employed exceeds five million.

2. Growth potential of small firms at OSTİM

At OSTİM, small firms are mainly engaged in metal manufacturing. According to the OSTİM Industrial Catalogue (1991), 60% of small firms work in the general field of metal manufacturing. This study specifically concentrates on small firms in metal manufacturing. The term 'small firm' is used to refer to small scale establishments involved in the production of goods and services and that employ 1-10 workers.

In order to gauge the degree to which OSTİM's small firms have growth potential, one should start by examining the small firms' expansion in a specific period of time. For the purpose of this study, small firms' growth is examined within 2 to 3 years of business activity. In addition to this, the period from which small employers set up their own business is also considered in the

Table 2

What Kind of Expansion Have You Achieved in the Last 2-3 Years? n=100

Workers only	2
Shop size only	0
Machinery only	3
Workers & shop size	2
Workers & machinery	54
Shop size & machinery	3
Workers, shop size & machinery	29
Not expanded	7
Total	100

analysis of the small firms' expansion. At OSTİM, small employers reported that they raised their capital primarily from private savings and personal borrowings when they set up their business. Despite the financial problems in setting up a business and the difficulties in gaining access to subcontract work and raw materials, OSTİM's small employers have sometimes been able to expand the size of their business within a few years. All small firms at OSTİM start out with insufficient equipment and tools, it is therefore, essential, for newly started small employers to equip their businesses quickly so that their firm may survive. However, the degree to which each small firm achieves the expansion varies considerably with respect to the small employers' socio-economic background.

Small employers were first asked to report what kind of expansion they had achieved in the last 2-3 years. Almost all small employers had expanded business size but the expansions, were mainly in the number of workers employed and in the use of machine's capacity [HP]. 54% of small employers stated that they expanded their businesses by increasing the efficiency of machines and increasing the number of workers. 29% of small employers stated that expansion occurred in the number of workers, machine power [HP] and in the size of the shop.

However, previous expansion by a small firm does not necessarily mean that it will continue to expand in the future. At OSTİM, Turkey's biggest industrial estate at the time the fieldwork was conducted, the majority of small firms operate in metal manufacturing. The market position of small firms is closely related to the origins of those who run the business. Thus, it is argued that socio-economic characteristics of small employers such as the level of

formal education and technical qualifications can actually have a different impact on various issues like the firm's potential for expansion in the future, access to raw materials and subcontract work and getting loans from the bank.

Similarly, the socio-economic characteristics of small employers such as the level of formal education, the experience of migration (whether they are themselves first time rural migrants or have their immediate origins in the urban area) and their origins in Turkish social structure are all good measures of the kind of economic activities that small firms are engaged in.² It will be seen that, although there are some problems which seem to beset all small firms, small employers tend to experience a different set of business activities in accordance with their own social and economic backgrounds. In this study, it is evident that the great majority of successful small firms are run by those who were predominantly the urban-born, better-educated and who employed more workers (36% of small employers are of urban origin and 16% have a university degree). Ignore the better educated and urban-born small employers who are more likely to run larger establishments at the estate. Hence, in this study, small employer's social and economic position is widely used as an indicator of small firms' different degree of growth potential. To start with, Table 3 shows that there is a relationship between the small employers' origins and the expectation for expansion in the future.

It is also very clear that although a certain expansion of business is likely for almost all small employers at OSTİM, further business expansion is more likely to occur among small employers with urban origins.

Small employers with better educational backgrounds are more likely to expand the size of the business compared to those with poor educational backgrounds. Those with university degrees are especially more optimistic about the further expansion of their business since their technical and managerial knowledge are superior to those with less educational qualifications. Not only does the technical and engineering knowledge of design give some small employers greater advantage but also the excellence of managerial capacity of these employers underpins the growth of small firms relative to others. Table 4 shows that whereas 81% of small employers with university degrees stated that they would expand their business, only 33% of small employers with primary school education expected an expansion of business size. Moreover, just 6% of small employers with university degrees had no

² For the purpose of this study, 'rural origins' refer to those who were born in rural areas and 'urban origins' refer to those who were born in urban areas (often themselves second generation migrants).

Table 3

The Relationship Between Origins of Small Employers and the Expectation
for Expansion in the Future n=100

A= Small employers with rural origins n= 64
B= Small employers with urban origins n= 36

	Likely to expand	Unlikely expand	Don't know
A	40 %	38 %	22 %
B	61 %	22 %	17 %

Table 4

The Relationship Between Formal Educational Background and
Expectation for Expansion in the Future n=100

A= Small employers with primary school certificate n= 52
B= Small employers with secondary or high collage diploma n= 32
C= Small employers with university degree n= 16

	Likely to expand	Unlikely to expand	Don't know
A	33 %	44 %	23 %
B	56 %	25 %	19 %
C	81 %	6 %	13 %

plans for further expansion in contrast to 44% of small employers with primary school education who reported that further expansion of the business was unlikely.

Likewise, the size of an establishment is also a very important indicator for business expansion. Small firms that employ more workers, especially the firms with 7-10 workers, are mainly run by those with urban origins and better educational and technical qualifications. Accordingly, small firms with 7-10 workers are more likely to expand business size.

As Table 5 shows, small firms with 7-10 workers are more optimistic about the expansion of their business in the future compared to those firms with only 1-3 workers. As explained earlier, the majority of small firms with 7-10 workers are owned by those with urban origins and better educational qualifications. These small firms with 7-10 workers are therefore better set for the expansion

Table 5

The Relationship Between the Size of Establishment and Expectation Of
Small Employers for Expansion in the Future n=100

A= Small employers who employ 1-3 workers n= 20

B= Small employers who employ 4-6 workers n= 46

C= Small employers who employ 7-10 workers n= 34

	Likely to expand	Unlikely to expand	Don't know
A	30 %	50 %	20 %
B	39 %	33 %	28 %
C	70.5 %	20.5 %	9 %

as a result of their owners' technical, engineering and managerial superiority in running the business. Since these firms have better access to subcontract work and raw materials, and have relatively bigger working capital, which is mainly the result of firms' relatively advantageous positions in a chain of market relations, they have the opportunity to expand further. However, the majority of small firms that are run by those of rural origin and who lack educational and technical qualifications are trapped into market relations where the profit margin is low and capital accumulation is limited. Their lack of technical knowledge in engineering design managerial capacity and prevent them from breaking the barrier to grow beyond a certain point.

All these factors also relate to the working capacity of small firms at OSTİM. For example, Table 6 demonstrates that there is an important relationship between the origins of small employers and the rate of capacity utilization. Small employers with rural origins are more likely to work at lower capacity than those with urban origins since the rural-born small employers who lack educational and technical qualifications and who employ less than 7 workers do not have easy access to contract work from the first dealer. As a result of this, they have maintained that the lack of demand from the market is their biggest problem.

As Table 6 shows, more than half of small employers with rural origins run businesses which operate at less than 50% capacity utility. Although working at low capacity is a problem for everyone, it is the rural-born small employers who are more desperate to get subcontract work compared to those with urban origins. Almost all small employers report that their reason for working at low capacity is that any attempts to increase capacity utilization is always threatened by new entrants who are always ready to accept orders below the market

Table 6

The Relationship Between Percentage of Capacity Utility and The Origins
of Small Employers n=100

A= Small employers with rural origins n= 64

B= Small employers with urban origins n= 36

	Less than 50 %	Between 51-75 %	More than 76 %
A	52 %	28 %	20 %
B	38 %	31 %	31 %

rates. In the case of a peak in demand, it is very difficult for small employers who are eager to get work to increase capacity utilization since many others seek to exploit the opportunity. Similarly, small firms' access to local and national markets differ in accordance with differences in the rural/urban origins of small employers.

Small employers were also asked to report whether it was for the local or national market that their firms usually operated. As can be seen in Table 7, small employers with urban origins have more business throughout Turkey compared to those with rural origins. Once again, it is evident that small employers with rural origins have more difficulties in breaking the barrier of the local market than those with urban origins. In this context, it is correct to suggest that with limited or no direct access to subcontract work and raw materials small firms that are owned by rural migrants are in fact found to be perilously close to business failure. It is the small firms run by those with urban origins that seem to face better prospects. The majority of small firms which are run by rural migrants have largely failed to offer a desired livelihood that many migrants have worked to achieve for a long time.

3. Entrepreneurship and small employers

In market economies, it is argued that entrepreneurship is the paramount factor in successfully running any business. Thus, it is essential for this study to start with briefly examining the term 'entrepreneurship' in order to understand the small employer's capacity to become a real entrepreneur and its relevance to the case of OSTIM. As Goss argues (1991:47), there is no commonly agreed understanding as to precisely what characteristics and behaviours are indicative of entrepreneurial activity. In fact, various kinds of

Table 7
Which Market is Your Firm usually engaged in? n=100

	Around Ankara	All over Turkey
A= Small employers with rural origins; n= 64	47 %	53 %
B= Small employers with urban origins; n= 36	25 %	73 %

characteristics (Goffe and Scase 1987, Burns and Dewhurst 1989, Goss 1991, Burrows and Curran 1991) are used to indicate entrepreneurial activity, such as high achievement motivation, individual success, commitment to innovation, leadership, the artisan identity, risk-taking, confidence in one's ability to succeed, the desire for freedom and individual responsibility, energetic action towards self-advancement, pursuit of opportunity and commitment to opportunity.

As is clear from the above, the notion of entrepreneurship is largely attributed to the psychological characteristics of individuals and entrepreneurial activity is viewed as if occurring in a vacuum. The study of entrepreneurship should also consider the wider socio-economic environment in which entrepreneurship takes place. Moreover, the extent to which socio-economic factors affect individuals' entrepreneurial capabilities in exploiting the opportunities in the market might bring forth different results from one case to another. It is therefore sociologically important to explore the extent to which small employers' entrepreneurial ambitions are constrained or blocked by socio-economic factors such as the market relations that they are engaged in.

Policies, both in developing and developed economies aim to promote the notion of entrepreneurship in order to help the creation of employment opportunities by encouraging individuals to set up new businesses through self-employment and small scale firms. In developed economies, governments espouse the idea of enterprise culture since 'government see them as providing solutions to the growing unemployment problem and the persisting difficulties of managing and controlling labour in large-scale organisations. At the same time, the growth of entrepreneurship helps to foster ideologies of self-reliance so that national states can more easily withdraw from the provision of various social and welfare services and thereby reduce public expenditure' (Goffe and Scase 1987:4). It is argued that governments also support entrepreneurship in

order to avoid problems within industrial relationships mainly seen in large firms and that seem from poor work conditions, absenteeism or industrial conflict. (Rainnie 1989 and Burrows and Curran 1991).

The discourse of the enterprise culture has always been an essential part of new right policies. Pollert (1988), for example, argues that the discourse of enterprise culture presents itself as the justificatory language of social integration for a world characterized by an economic insecurity, unknown in the more corporatist and collectivist world of the 1960s and much of the 1970s. She claims that in terms of promoting the enterprise culture, the new right policies have aimed to stimulate individual economic activities and thus overcome the problem of rising unemployment.

However, key factors in forming the entrepreneurial personality are closely related to labour market conditions and the socio-economic formation of those involved in starting up new businesses. One should also consider the differences between the developing economies and developed economies with respect to the level of the industrialization process in large firms which might experience different ranges of trade unionism, technological levels and management control (Suğur 1994). Having accepted the constant pressure of unemployment on individuals to set up their own business both in developed and developing countries, there are those in developed economies who are 'technical and lower managerial staff and who are frequently frustrated because of the way in which their jobs are tightly monitored and controlled by others, ... business proprietorship has a special appeal... since they are free from the managerial control of others (Goffe and Scase 1987:5). However, in developing countries such as Turkey, the small firms' market relations, employers' educational level, technical skills and managerial knowledge are important factors within the context of the labour market in constraining the entrepreneurial capability of people.

Individuals are coerced to 'choose' working in small firms due to failure to find a job in large scale firms in the formal sector. Unlike the case of developed economies, there is considerably less movement of employees from the formal sector to the informal sector. For example, in the sample, 86% of OSTİM's small employers were originally former workers of the same business. Only 5% of OSTİM's small employers had been white collar workers before they set up their own business. Thus, people who actually work in small firms have a great desire to work in large scale firms. People who work in large scale firms do not have any great desire to work on their own account since poor working conditions, lack of working capital, insufficient income and the chain of market relations already preclude many small firm owners from enjoying working on

their own account. Not only does the condition of the labour market push individuals who lack educational and technical qualifications and the lack of income opportunities to work in small firms, but it also discourages those who work in the large scale firm in the formal sector from taking the risk to set up their own business.

Although it is important to point out the fact that *the entrepreneur is known for doing more with less*, given the constraining factors on the profit margin such as restriction of market relations which negatively impinges on the growth of working capital, these greatly discourage risk taking and confidence in one's resource and ability to succeed. It is the case for example at OSTİM, that small employers have very little opportunity to be enterprising in a chain of market relations.

Entrepreneurship is assumed to be an outcome of choice. But at OSTİM small employers have ended up there trying to make a livelihood. It was not their intention to work on their own account and neither was it their motivation to achieve that brought them to where they are. Rather, it was their failure to find a niche in the formal sector. The majority of small employers insisted that they would prefer working for someone else because, they say, the work that they do puts enormous pressure on them. Given the significance of commitment of individuals towards self-advancement and achievement in successfully running businesses, the conditions of the market make a considerable negative impact on entrepreneurs in achieving their objectives. In fact, OSTİM's small employers' entrepreneurial abilities end up with limited manoeuvrable-capability due to their firms' market positions (Nichols and Suğur 1996). In addition to the lack of technical-engineering and managerial knowledge of a large proportion of small employers at OSTİM, the likelihood of their advancement is further restricted not solely by the economic environment in which their businesses are located but also by their lack of technical and educational qualifications.

In order to explore the degree to which OSTİM's small employers characterize a certain form of entrepreneurship in running businesses, they were asked to report where they would like to invest if they had a sufficient amount of capital today. The aim of this question was not only to comprehend how committed small employers were to their own occupations but also to assess how they viewed other occupations.

As Table 8 shows, except for those with 7-10 workers who have more desire to invest in the same business, small employers are not very keen to invest in the same business. This tendency is higher among small employers with 1-3 workers since only 20% of them stated that they wanted to invest in the

Table 8

If You Had A Sufficient Amount of Capital, Where Would You Invest?

n=100

A= Small employers who employ 1-3 workers n= 20

B= Small employers who employ 4-6 workers n= 46

C= Small employers who employ 7-10 workers n= 34

	Investment in the same business	Buying & selling commerce & trade	Open a bank account	Others
A	20 %	55 %	15 %	10 %
B	41 %	39 %	11 %	9 %
C	65 %	20 %	9 %	6 %

same business. However, those who employ more workers and enjoy relatively easy access to subcontract work and raw materials seem more determined to carry on working in the same business.

From the point of view of small employers who unwillingly entered this occupation and employ less than 7 workers, investment is a matter of making a living and hence they tend to wish to invest into the occupations which seem easy to run and are profitable enough to make a better living. It is also interesting to note that these small employers with less than 7 workers would choose to invest in buying and selling if they had a certain amount of capital. It is partly because these activities are, from the point of view of these small employers, run more independently, and produce easy profit. Besides, as small employers have a wide range of daily and weekly trade and commerce relations with those who are engaged in buying and selling businesses, such as wholesale and retail trade, raw material dealers and new or second hand machinery dealers, they see the superiority of these traders' position over them. According to these small employers, these traders are not trapped into accepting bad working practices since they are free to buy and sell to anyone at any time. They believe that these tradesmen do not have to work very hard to make money. As one of the small employers put it:

What those tradesmen do is wait for the customer in the shop, sell the goods when they come and do more stock when the sales go well. They just sit in there and do the business cash in hand. That is it, what more could you ask. I really envy the wealth and the comfort of those tradesmen. Undoubtedly, if I really had a certain amount of capital to invest, I would certainly set up a semi-wholesaler raw material shop.

Small employers at OSTİM believe that the work carried out by their businesses necessitates a great deal of skill, responsibility and care. Despite the difficulties they face in running their businesses and their envy of tradesmen such as those referred to above, a sizeable number of them regard their work practices as more creative and satisfactory when compared to occupations in the service sector. Another reason for small employers' desire to be in the position of tradesmen is because they do not want to work very long hours. Almost all small employers complained about long working hours. Starting at 8-9 am and finishing at 6-7 pm including Saturdays, small employers along with their own workers, work long hours. Small employers who employ less than 7 workers seem to have little choice but to work longer for increased profitability. Small employers with 1-3 workers said that they did not intend to change their production practices even if they had enough capital since their present method of production was appropriate for small orders from second and third dealers.

Thus, under present circumstances, small firms with 1-3 workers are less likely to have access to raw materials and subcontract work owing to their lack of educational, technical and managerial knowledge. Hence, a significant amount of investment in new machinery and equipment will not considerably improve the firm's market position which is also related to the owner's technical and engineering capabilities. Under these circumstances, small employers are aware of the fact that becoming a real entrepreneur in this business cannot overcome the difficulties of the market relations which small firms' business activities are subject to.

It is not only the external factors that prevent small employers from being enterprising but also the internal factors such as the level of workers' skill and the use of technology. Because of the limited amount of capital accumulation that small employers get through business activities, small employers have failed to make necessary investment for new technology. Thus, the use of rudimentary technology which means low productivity and efficiency in the production process, leads small employers to refrain from bidding for contract work at auction. Moreover, the scarcity of skilled workers precludes small employers from capturing some profitable subcontract work which might necessitate a highly skilled labour force such as spare parts for electrical and electronic equipment [computers, televisions, etc.]. As a result, internal factors constrain most of OSTİM's small employers' entrepreneurial attempts to capture the opportunities in the market.

Small employers were also asked to report what they would like their children to do in the future. The aim of this question is to understand the reliance of small employers on their own firm in making a living not only for

themselves but also for their children. In general, small employers wanted their children to be involved in urban-based occupations. 45% of small employers want their children to carry on their businesses and 32% want their children to go into technical and engineering occupations. Only 18% of small employers prefer white collar occupations for their children. It is important to point out that small employers who want their children to carry on the business after them are also very determined to send their sons to a technical college and, if possible, to a technical university before they take over the business. It is also clear that small employers prefer mainly secure, well-paid and well-qualified occupations for their children which they have failed to achieve due to their lack of educational and technical qualifications.

However, there is a significant difference with respect to small employers' origins in what they wish their children to do in the future. As Table 9 clearly shows, small employers with urban origins have more desire for their children to take over the father's business. One should bear in mind that in Turkey it is the son rather than the daughter who is considered in taking over the father's business.

According to Table 9, while 38% of the rural-born small employers would like their children to do technical-engineering work, 64% of the urban-born small employers have a clear preference for the same occupation for their children. Nevertheless, 34% of rural-born small employers also consider their father's occupation as an important option for their children and one quarter of rural-born small employers want their children to be involved in white collar occupations. A large proportion of urban-born small employers do not regard white collar occupations as an option for their children since they believe their sons will do much better in the same occupation. In this respect, according to urban-born small employers, not only will their sons take possession of their fathers' businesses, but they will also be supplied with adequate resources, the appropriate technology and labour force, established clients, and a reasonable amount of working capital.

It is evident that almost all small employers have set up their own business by themselves. Only 12% of small employers reported that they had followed in their fathers' businesses. These are mainly those who represent the second generation of the rural migrants. Nevertheless, the likelihood is that second and third generations of rural migrants will choose their fathers' occupations, since OSTİM's small employers have relatively more desire for their children to carry on the same occupations. Almost all small employers who have sons, said they have sent or would send their children to technical college and then,

Table 9

What Would You Like Your Children to Do in the Future? n=100

A= Small employers with rural origins n= 64

B= Small employers with urban origins n= 36

	Same occupation	White collar workers	Technical-engineering occupations	Others
A	34 %	23 %	38 %	5 %
B	64 %	8 %	22 %	6 %

if possible, to the technical university to study engineering. It shows that small employers want their children to be engaged in technical-engineering occupations whether in the fathers' occupations or not. Although 37% of small employers consider the future of their own businesses as bad and 32% as moderate, they believe that their sons with a technical and engineering superiority, along with the readily-inherited resources of the fathers' businesses, will earn a fair income. To small employers it is all about upward social mobility geared to the next generation.

In short, the small employers in this study mirror a significant part of peoples' struggles to make a livelihood in the urban context. A transition of numbers of people from the rural economy to an urban one and then a battle of survival in the urban informal economy have constituted the socio-economic characteristics of the small employers' world at OSTİM.

4. Subcontracting and networking of small firms

The contentions are that small firms can grow beyond a certain point through mutual networking and attain flexibility on a collective basis (Schmitz 1992). The extent to which small firms can achieve collective efficiency, is closely related to the geographical and sectoral proximity of small firms in an industrial district. According to Schmitz (1992:66), the clustering together of small firms is crucial in bringing forth a strong division of labour among small firms. The idea is that inter-relations between small firms and their relations with large firms can create a fertile environment under which small firms collectively achieve flexibility. Schmitz (1992:65) argues that a number of small firms can produce similar products for large firms on a specialized basis.

In this regard, the exchange of ideas, equipment, technical knowledge and labour underpin small firms to specialize in a specific part of the production process. This kind of co-operation and collaboration among small firms cannot only encourage them to respond to a different pattern of demand even in a niche market but also to help them access work contract from the international market. In addition, horizontal co-operation among small firms including a network of suppliers and purchasers in the market and the supports of private and public institutions in easing the passage for small firms is considered to be vital for collective efficiency (Sabel 1989 and Schmitz 1992). In this context, a constantly changing demand in the market as stated by the theory of flexible specialisation (Piore and Sabel 1984) and by some post-fordist interpretations (Murray 1989), is more likely to favour small firms than large ones, since large firms' organisation of work, the type of standardized production and the method of using a relatively less skilled labour force dedicated to mass production prevent large firms to flexibly produce a wide range of customised goods. It means that the firm must easily switch from the manufacture of one product to another as market conditions change.

As for the case of OSTİM, the majority of small firms are engaged in dispersed production activities. As competition dominates the market relations, the forms of co-operations and collaborations are unlikely to emerge. The lack of demand is regarded to be the biggest problem for OSTİM's small firms and this increases the competition among small firms. A very small number of small firms owned by the better educated and urban born employers, have managed to specialize in a few forms of production items and have the technical potential for innovation. Nevertheless, they have concentrated on their own production practices.

The reason why most of OSTİM's small firms compete rather than collaborate is largely due to the system of subcontracting prevalent in the estate. In fact, a closer examination of the contractual chain which links OSTİM's small firms to the medium and larger capital outside the estate reveals clear differences inside the estate between large and small employers. 57 % of small firms, reported doing subcontracting work for larger firms; 37% reported doing subcontracting work for a mixture of larger firms and other small firms; only 5% reported exclusively subcontracting for other small firms. As far as the growth potential of small firms is concerned, it is important to have a look at the position of small firms in relation to the chain of subcontracting in the estate. Many of OSTİM's small firm are unable to obtain subcontract works directly from the first dealer due to conditions laid down by parent firms which offer contract works. Parents firms usually prefer to give contract works to

establishments with adequate machinery and lathes, sufficient financial resources and a skilled labour force. Only 5% of all employers who were better educated and urban born, reported that they usually get contract work from first dealers via bids at auction. However, the majority of the small employers at OSTİM are usually re-subcontracted to second or, at times, to third dealers. In the present situation, it is very difficult to see how the system of subcontracting would pave the way for collaboration between small firms to achieve flexibility.

5. Conclusion

This essay has focused upon the relations of small firms to the wider social and economic environment in which small employers make their livelihood. In particular, it has examined the extent to which small firms have growth potential. In general, small firms play an important role in the Turkish economy in terms of the number of people employed, number of establishments, input, output and value added. In addition, small firms have even greater importance in providing employment opportunities for those who have failed to find a refuge in the formal sector of the economy.

It is evident that a large part of OSTİM's small firms do not confirm the case specified by recent debates particularly by the theory of flexible specialization in terms of collective efficiency, inter-firm division of labour, innovation and skill formation. Most of OSTİM's small firms have insufficient working capital due to the result of chains of market relation, and hence find it very difficult to invest in high technology to attain flexibility. The impact of market relations such as excessive competition and the system of subcontracting between large and small firms increasingly prevents the possibility for an inter-firm division of labour to collectively accomplish the flexibility among small firms at the estate.

It is argued that growth potential of OSTİM's small firms in the past, the present and the future in association with the number of workers employed, shop size, investment for new machinery and access to new market is closely bound up with the social and economic characteristics of small employers' background and a particular firm's position in a chain of market relation in access to subcontract work and raw material. Because there tend to be significant differences in the growth of small firms with regard to the level of formal education of small firms from rural and urban origins, some of the better educated small employers at OSTİM, who have urban origins have been more successful in expanding the size of the firm in comparison to those with lower level of formal education and rural origins. Those poorly educated rural

migrants are the majority ones who are lodged at the bottom end of both the contract and the raw materials supply chains. The majority of OSTİM's small employers on the other hand, were not found to be what some would appear to idealise as *bona fide* entrepreneurs since the most of small employers, who lack educational and technical qualifications, run their businesses in an environment which greatly limits their capability to be enterprising. Although, as argued, entrepreneurship is related to individual success, pursuit of opportunity, commitment towards high achievement and confidence in one's ability to succeed, given the difficulties that many small employers face, such as having access to contract work directly from the first dealer, they are actually left with very little room to manoeuvre and little opportunity to be enterprising. In fact, a large part of OSTİM's small employers are trapped into running businesses which greatly constrain them from breaking the barriers of the chain of market relations and this limits the firms' growth to a great extent. Further research needs to be done to determine whether the findings for the small firm described in this article are also typical for the different sectors and regions of Turkey.

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Özet

Türkiye’de küçük işletmelerin büyüme potansiyeli: Ankara’da OSTİM
Sanayi Sitesi üzerine sosyolojik bir çalışma

Bu çalışmanın amacı Ankara’daki OSTİM sanayi sitesi örneğinde küçük işletmelerin büyüme potansiyelini incelemektir. Bu çalışmada küçük işyeri sahiplerinin sosyal ve ekonomik kökenleri ile küçük işletmelerin büyüme potansiyelleri arasındaki ilişkiler yeni yatırımlara, istihdam yaratmaya, işyerinin büyütülmesine, yeni piyasalara girişte ve girişimcilik becerisine bağlı olarak açıklanmaya çalışılacaktır. Ayrıca, modern teknolojinin kullanımı, esnek üretim teknikleri ve dizayn ile ilişkili olarak sektörel düzeyde küçük işletmeler ekonomisinin yeniden yükselişi üzerine yapılan tartışmaların (post-Fordist yorumlamalar ve esnek uzmanlaşma gibi) OSTİM örneğinde ne kadar geçerli olduğu değerlendirilmeye çalışılmıştır.