

**MNCs and Host Country Employment Institutions: A Comparative Case Study of  
Automotive Firms in Turkey's VET System**

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## List of abbreviations

ALJ	Abdul Latif Jameel Company
BGZ	Berlin International Cooperation Agency
BoD	the Board of Directors
BUSIAD	Bursa Industrialists and Businessmen Association
CEDEFOP	Europe of Centre for the Development of Vocational Training
CFO	Chief Financial Officer
CME	Coordinated Market Economy
CSR	Corporate Social Responsibility
DACUM	Developing a Curriculum
DQP	Diversified Quality Production
FDI	Foreign Direct Investment
HEC	Higher Education Council
HIM	High Involvement Management
HQ	Headquarter
HR	Human Resources
HRD	Human Resources Development
IHRM	International Human Resources Management
ILM	Internal Labour Market
IR	Industrial Relations
ISKUR	National Employment Agency
LME	Liberal Market Economy
MEGEP	Strengthening Vocational Education and Training
MESS	the Turkish Employers' Association of Metal Industries
METEK1-2	Improving the Quality of VET
MEXT	Ministry of Education, Sports, Culture, Science and Technology
MHLW	the Ministry of Health, Labour and Welfare of Japan
MNCs	Multinational Companies
MoD	Ministry of Development
MoNE ( <i>MEB</i> in Turkish)	the Ministry of National Education
MoSIT	the Ministry of Science, Industry, and Technology
MTEM	Modernisation of Vocational and Technical Education
NBS	National Business System

NEET	Neither Employed nor in Education or Training
NGOs	Non-Governmental Organisations
NQF	the National Qualification Framework
NVQS	National Vocational Qualifications System
OECD	the Organisation for Economic Cooperation and Development
OEM	Original Equipment Manufacturers
OffJT	Off-the-job training
OIZ	Organised Industrial Zones
OJT	On-the-job training
OLM	Occupational Labour Market
OSD	Motor Vehicle Manufacturers' Association
PEVEB	Provincial Employment and Vocational Education Board
TMC	Toyota Motor Corporation
TME	Toyota Motor Europe
TMMT	Toyota Motor Manufacturing Turkey
TOBB	the Turkish Union of Chambers and Commodity Exchanges
TOYOTA-TR	The Marketing and Sales Company
TPS	Toyota Production System
TQF	Turkish Qualifications Framework
TUIK	Turkish Statistical Institute
TURKAK	Turkish Accreditation Agency
UMEM	Specialised VET Centres for Employment
VET	Vocational Education and Training
VoC	Varieties of Capitalism
VQA ( <i>MYK</i> in Turkish)	Vocational Qualification Authority
VQS	Vocational Qualification System

## **Abstract**

This thesis focuses on how and to what extent multinational companies (MNCs) engage with the vocational education and training (VET) system in Turkey to meet their skill needs. This enables the analysis of the two-way relationship between MNCs and host country institutions.

There is a rich body of the MNC literature exploring MNCs' practices in the host country context and the literature of skill development focusing on national skill systems of different countries. However, in terms of skill-related activities, there has been a limited discourse on MNCs' relationship with the host country institutions. This thesis attempts to address the need for more research within this field through comparing MNCs from different home countries and exploring how and why they differ in their interaction with the host country's VET system. The thesis also explores whether the host country context enables or constrains different forms of MNC engagement.

This thesis adopted a qualitative case-study approach using an in-depth semi-structured interview technique and drawing on institutional documents to compare one Japanese, one German, and one Turkish firm operating in the Turkish automotive industry. In order to obtain a better understanding, the research included the suppliers, partner vocational schools of these firms, and other VET actors (the state, industry representatives, and chambers). It used a hybrid process of inductive and deductive thematic analysis to interpret raw data.

Four major conclusions emerging from this research are considered as key contributions to the literature. Firstly, the findings of this thesis have contributed to the debates in late versions of the institutional theory by showing the important role of agencies in shaping the structure. It has provided evidence that MNCs do not just conform to the institutional environment of the host country in which they operate, but, as the drivers of change, they also influence this environment. In addition, the thesis has contributed to the debates on MNCs' embeddedness in different environments, institutional difference between home and host countries, and contradictory roles of the state.

**Keywords:** vocational education and training (VET), Turkey, skill, multinational companies (MNCs), Germany, Japan, host-country institutions, institutional theory, agency.

**Declaration**

No portion of the work referred to in the dissertation has been submitted in support of an application for another degree or qualification of this or any other university or other institute of learning.

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## **Acknowledgement**

PhD has been a long and meaningful journey for me. Rumi's well-known quote, written on the cover page of my diary, has been a great inspiration:

*“It's your road and yours alone.  
Others may walk it with you,  
but no one can walk it for you.”*

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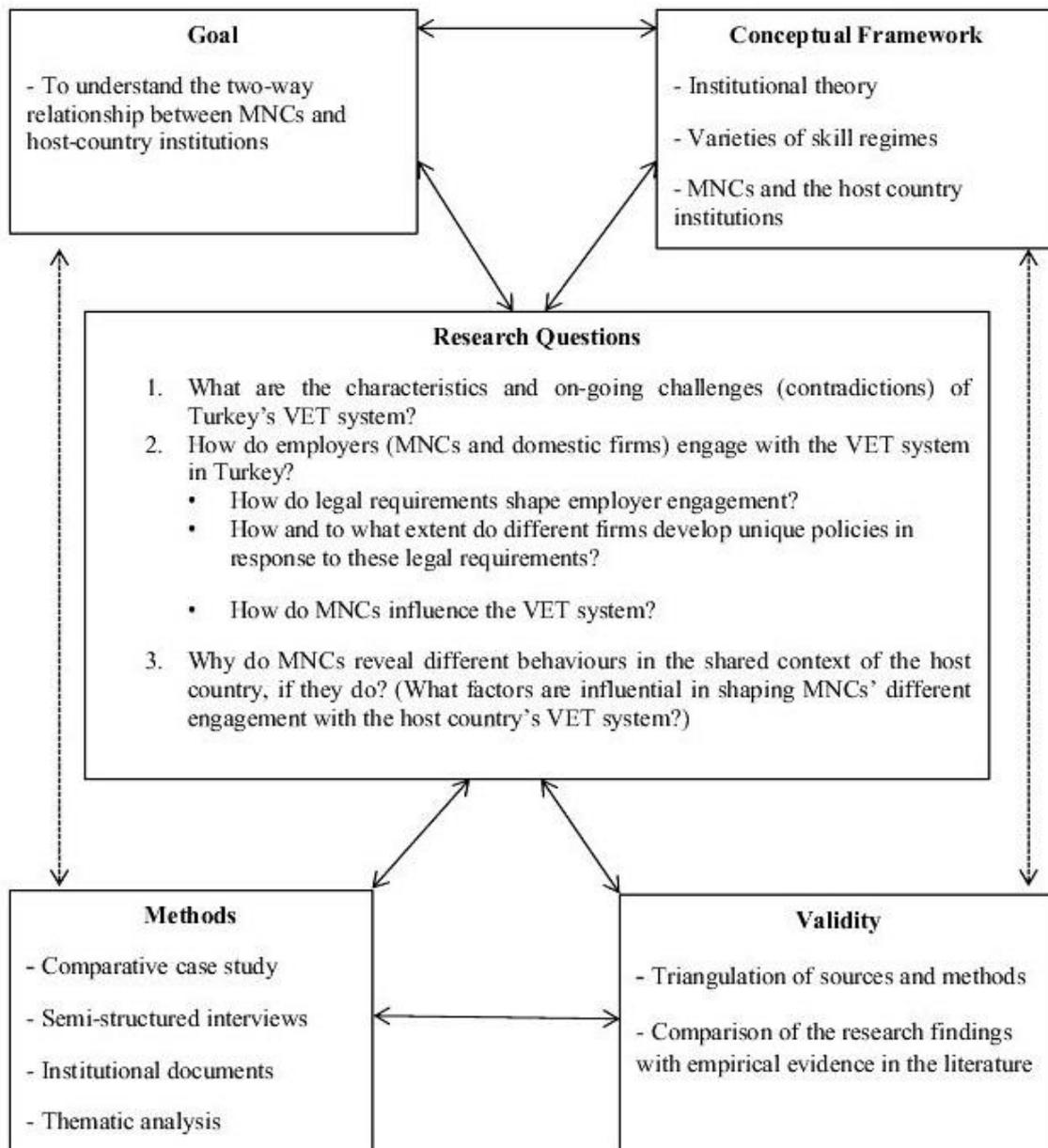
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## **Chapter 1- Multinational Companies and the Vocational Education and Training System in Turkey: An Introduction**

### **1.1. Introduction**

This research is about the two-way relationship between multinational companies (MNCs) and host country institutions regarding the development of vocational skills. The research intends to explore the level and form of the host country environment's influence (constraining or enabling) on MNCs' skill-related practices, the impact MNCs create in the host country institutions, if any, and the transfer of MNCs' skill practices from their home countries. This concerns the analysis of MNCs' different behaviours in the host country in the sense that whether they deal with the skill issues within the boundaries of the firm or closely engage with the national skill system of the host country. The research particularly focuses on MNCs' engagement with the vocational education and training (VET) system in Turkey. It enhances our understanding of how MNCs coming from countries with different skill systems organise skill development in the Turkish VET context. In accordance with this, the main argument would be that the complex nature of MNCs embedded in different organisational and national contexts could shape their relationship with the skill system of the host country. This results in different forms of engagement with the system due to several factors present at both firm-level and country-level, which could lead to MNCs' strong or weak relationship with the host country institutions.

The empirical part of the study consists of three in-depth case studies in one Japanese, one German, and one Turkish firm operating in the automotive industry in Turkey to explore their relationship with the VET system. Japanese and German firms are known for their different approaches for skill development (Thelen, 2004). It is, therefore, interesting to examine whether they reveal this difference in Turkey, particularly when considered within the context of Turkey's state-led VET system. An overview of this research is displayed in Figure 1.1 showing the five key components of the research design- i.e. the goal of the research, the conceptual framework, research questions, methods, and validity. In a qualitative study according to Maxwell (2005), activities relating to the collection and analysis of data, engagement with the literature and the development of theory, elaboration of the research questions, and consideration of potential validity threats take place simultaneously. This suggests that the research design is not shaped by following 'a linear model' (one-directional sequence) but it emerges as an interactive relationship among these five components (*ibid*), which requires iterative revision during the research process.



Adapted from Maxwell (2005:5)

**Figure 1.1. Interactive model of the research process**

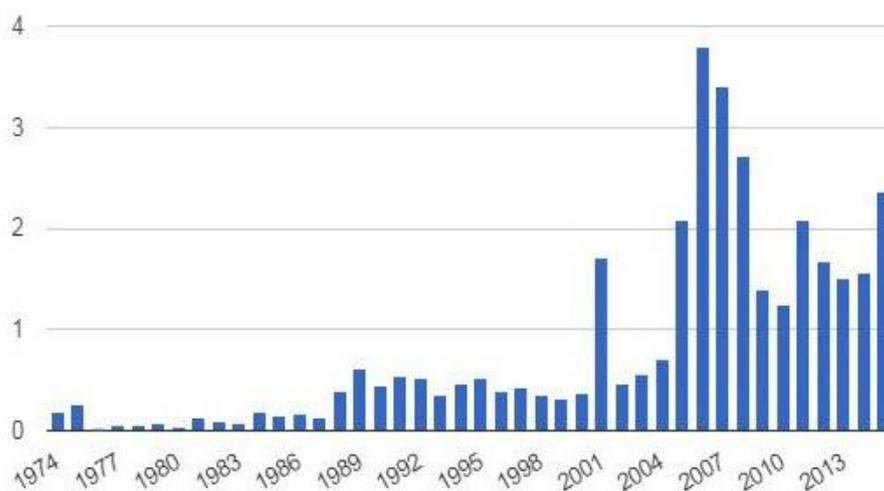
This research is expected to provide insight into two main strands of literature: MNC and skill development (particularly the VET literature). An extensive body of literature exists regarding MNCs' activities across countries such as transfer of policies and practices (e.g. Edwards et al., 2007b; Ferner et al., 2012; Gamble, 2003); headquarter (HQ) -subsidiary relationship (e.g. Edwards and Kuruvilla, 2005; Geppert et al., 2003); home- and host-country effect (Ferner and Quintanilla, 1998; Geppert and Matten, 2006; Gooderham et al., 2006). While examining these issues, the studies predominantly focus on all employment practices together (recruitment, training, performance, and employment relations). In addition, a few studies explore MNCs' employment practices in Turkey (e.g. Sayim, 2008; Wasti, 1998; Mellahi et al., 2013). However, to the best knowledge of the researcher, the literature is particularly weak in focusing on MNCs' skill-based practices in the host country and MNCs' engagement with the host country's skill system (e.g. Beck et al., 2009; Vo and Hannif, 2012; Wrana and Diez, 2016). In addition, regarding the skill literature, the studies which focus on the VET system in Turkey mostly take an educational perspective relating to the education system and curriculum development in vocational schools only taking into account the supportive role of companies on the system (e.g. Barabasch and Petrick, 2012). This thesis therefore contributes to the literature by combining the MNC and skill literature, with a broader focus on employer engagement with the VET system. The research engages with a variety of debates in the part of the literature mentioned in the thesis. For example, it provides insight into the institutional difference between MNCs' home and host countries and implication for MNCs' behaviours in the host country particularly when they attempt to transfer home country practices (see Kostova, 1999; Morgan and Kristensen, 2006). It considers the complex micro-political system within MNCs that encompasses actors and interests at different organisational levels (Almond and Ferner, 2006) together with the role of individual and subsidiary actors (Dörrenbächer and Geppert, 2006). Moreover, it examines the role of the state and other social partners in a state-led VET system (Clarke and Winch, 2007; Bosch and Charest, 2009).

The chapter proceeds as follows. The first section introduces the rationale and motivation for this research to explain why it is important to study MNCs and the VET system in Turkey. This section also introduces the research problem and in connection with it, the research questions. The second section discusses the relationship between institutional theory and the literature on MNCs and explains how they are related to this research. The chapter ends with an outline of the proceeding chapters that form the thesis.

## 1.2. Why study MNCs and the VET system in Turkey?

This section provides insight into the interplay of interests between MNCs and Turkey. First, it explains why MNCs and their main vehicle of foreign direct investment (FDI) are important for Turkey's economic growth and consequently its effort to attract more FDI. The section then follows by explaining why Turkey is an important area of focus in terms of MNCs. By introducing this background, the section continues with the explanation of why and how VET plays an important role in this picture.

FDI plays an important role in Turkey's economic growth (see Figure 1.2) such that the country has introduced several structural reforms (for example: strengthening the banking sector and increasing flexibility of the labour market) to attract more FDI. The FDI Law was enacted in 2003, offering equal treatment to both local and foreign investors. In addition, the new investment incentives system was introduced in 2012. This system comprised of four different investment schemes (general, regional, large-scale, and strategic), and provides several support instruments including customs duty exemption, tax reduction, and interest rate support (InvestinTurkey, 2016a).

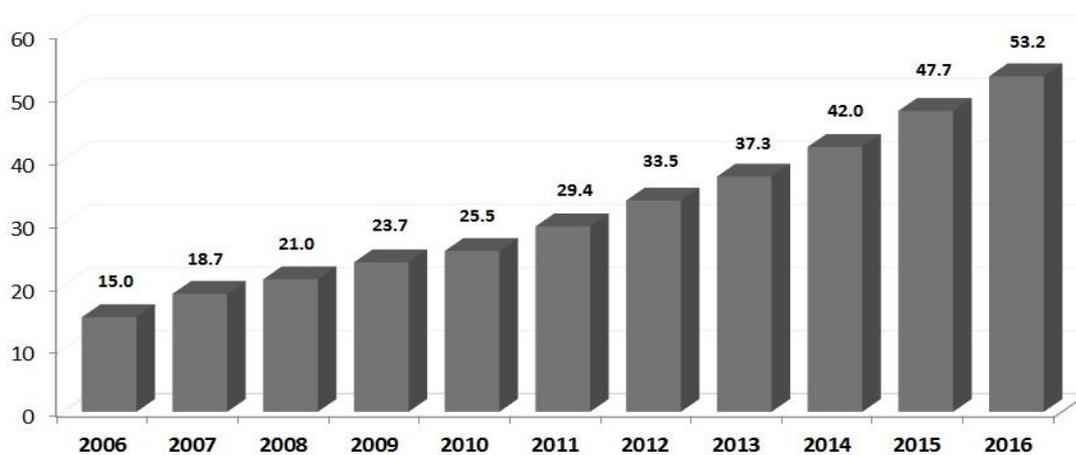


Source: theGlobalEconomy (2017), WorldBank (2017)

**Figure 1.2. FDI net inflow in Turkey (% of GDP)**

In addition to the importance of MNCs for Turkey, it is also essential to understand the importance of Turkey for MNCs. During the last decade, Turkey has attracted the attention of a number of foreign companies (Figure 1.3). One potential reason for this is that MNCs operating in manufacturing industry choose to invest in Turkey due to its strategic location

between Europe and Asia, which enables the companies to physically coordinate their operations in these continents (see Appendix 1). The country also provides access to potential international markets. Especially after the ‘Customs Union’ agreement was signed between Turkey and the European Union in 1996, a free trade area has been formed in the region. Another factor explaining the importance of Turkey may be its dynamic economic development. With a booming domestic market, Turkey has a developing economy where GDP increased from 9,426 USD per capita in 2000 to 25,275 USD per capita in 2016 (OECD, 2017a). The poverty headcount ratio declined dramatically from 30.3% in 2002 to 1.6% in 2014 (World Bank, 2016). These ratios considered together may suggest an increasing purchase power of individuals, a sign of an unsaturated market for MNCs. Turkey’s growth rate therefore seems to have a promising future, with a recent report of PwC predicting it to be the country with the 11th highest GDP by 2050 (currently it is ranked as 14<sup>th</sup>) (PwC, 2017).

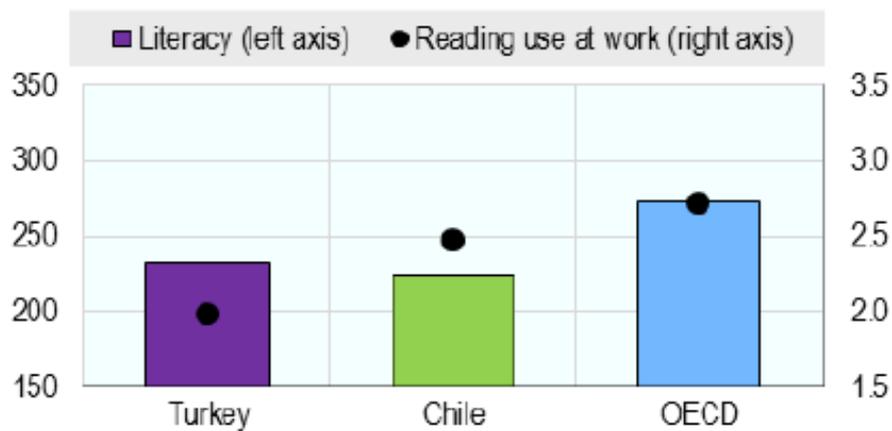


Source: InvestinTurkey (2016b)

**Figure 1.3. Number of companies with international capital**  
(Cumulative, in thousands)

In addition to its economic development, the educated young population in Turkey promises to be a good opportunity for MNCs to meet their workforce demand. Enrolment in overall education among 15-29 year-olds increased from 41% in 2005 to 59% in 2012 (OECD, 2014). Moreover, the percentage of upper secondary graduates was 67.6% as of 2014 (OECD, 2017b). Despite this positive picture, Turkey is still not adequately developed in

terms of meeting the skill demand of employers. Around 20% of young people (aged 15-29) are low skilled NEET (neither employed nor in education or training) in Turkey, when compared to the average rate of 5% in OECD countries by 2015 (OECD, 2016a). In addition, as Figure 1.4 shows, Turkey has a lower level of workers' literacy and skills use when compared to the OECD average.



Source: OECD (2016b), Chapter 2, Figure 2.2.

**Figure 1.4. Low level of workers' literacy and low level of skills use <sup>1</sup>**

(Average proficiency scores and average skills use at work among the working population aged 16-65)

The research<sup>2</sup> conducted by the Ministry of Science, Industry, and Technology (MoSIT) in 2012 shows that vocational and technical skills are determined as needed most by companies from different sizes (between 53% and 62% depending on the size of the firm) (Table 1.1). However, this group of skills is also determined to be inadequate by the majority of employers (35.3 % of micro companies; 39.5% of small companies; 36.2% of medium companies; and 35 % of large companies) (Table 1.2).

<sup>1</sup> 'Skills use at work' refers to "the level of skills that is observed in a worker's current job within a given skill domain" (OECD, 2016b:65). Proficiency in literacy (0-500 score points) and frequency of reading at work (1 'never' to 5 'everyday')

<sup>2</sup> The research was conducted with 2,018 firms in total from several sectors (food, textiles, steel-iron, electronics, petroleum, chemistry and others). Company size is measured by the number of employees. 18,2 % of the companies are micro (less than 9 employees); 37,0 % small (between 10 and 49); 27,2% medium (between 50 and 249); and 17,6% large (more than 250 employees).

**Table 1.1. Distribution of skills to be most needed by employers**

(According to the company size in-scale rate %, 2013)

	<b>Company Scale (%)</b>			
	<b>Micro</b>	<b>Small</b>	<b>Medium</b>	<b>Large</b>
<b>Vocational and technical skills</b>	53.4	56.2	61.8	56.7
<b>Communication skills</b>	11.4	12.6	13.4	18.7
<b>Teamwork</b>	19.9	25.7	24.2	28.7
<b>Management/Leadership skills</b>	4.0	6.4	5.3	12.3
<b>Problem solving</b>	8.2	15.5	13.2	15.8
<b>Foreign languages</b>	6.0	11.9	13.8	19.6
<b>Business ethics and business discipline</b>	26.1	30.2	18.1	16.1
<b>Innovation</b>	9.9	15.4	15.7	18.1
<b>Other</b>	2.6	1.7	3.6	2.9
<b>No skills needed</b>	4.8	2.9	2.5	1.8

**Table 1.2. Skills and characteristics that companies find inadequate in the labour force**

(According to the company size in-scale rate %, 2013)

	<b>Company Scale (%)</b>			
	<b>Micro</b>	<b>Small</b>	<b>Medium</b>	<b>Large</b>
<b>I do not see any inadequacy</b>	27.0	24.4	24.8	27.8
<b>Vocational and technical skills related to his/her field</b>	35.3	39.5	36.2	35.0
<b>Basic literacy</b>	1.4	3.3	3.5	1.7
<b>Foreign language skills</b>	5.0	13.1	16.4	21.2
<b>Supervision and experience</b>	17.4	25.2	25.7	22.6
<b>Communication skills</b>	6.9	8.8	7.5	8.0
<b>Business ethics and business discipline</b>	21.5	21.1	12.1	8.9
<b>Motivation</b>	11.3	15.6	12.1	11.7
<b>Compliance with workplace and job</b>	14.9	12.6	13.4	12.0
<b>Other</b>	2.8	1.2	1.1	2.3

Source: BSTB (2012)

Given the research background discussed so far, the research motivation is characterised by both contextual and theoretical perspectives. From the contextual perspective, two main points inspire the interest for this research. First, VET has always been emphasised as an important topic in Turkey's industrial development. However, there are several on-going problems in the implementation of the system and in meeting the skill requirements of employers, which will be elaborated in Chapter 5 through the empirical evidence. The research problem in this context can be broadly defined as the mismatch between the vocational skills generated by the VET system and the skill requirements of companies. The second point is related to the importance of MNCs for Turkey's economic growth especially in the manufacturing industry and subsequently this industry's shared concern for 'intermediate skills' and the shortage of qualified employees (Ihracat, 2013). These two points together propose MNCs' engagement with the Turkish VET system an important topic to be examined.

From a theoretical perspective, it is argued that the MNC literature predominantly focuses on the influence of host country conditions on MNC employment practices- i.e. host country effect (e.g. Ferner et al., 2001; Bae et al., 1998; Myloni et al., 2004). MNCs may encounter pressure to adapt to the host country context to avoid any penalty (e.g. levy system) or simply to reap the benefits of the host country such as cheap labour and flexible working conditions. But under certain conditions, beyond adaptation, MNCs can also influence and shape the institutions of the host country, which will be discussed in the following section within the framework of the institutional theory. Considering the contextual and theoretical perspective together, the following research questions addressed the aim of the research:

1. What are the characteristics and on-going challenges (contradictions) of Turkey's VET system?
2. How do employers (MNCs and domestic firms) engage with the VET system in Turkey?
  - How do legal requirements shape employers' engagement?
  - How and to what extent do different firms develop unique policies in response to these legal requirements?
  - How do MNCs influence the Turkish VET system?
3. Why do MNCs reveal different behaviours in the shared context of the host country, if they do? (In other words, what factors are influential in shaping MNCs' different engagement with the host country's VET system?)

### **1.3. Institutional theory and MNCs**

In accordance with the research framework, the discussion of institutional theory in this section is structured around the relationship between MNCs and host country institutions. Institutional theory helps in understanding several issues such as the processes when MNCs find themselves in a new institutional environment and explanation of the relationship between MNCs and their host countries (Kostova et al., 2008). Bjorkman et al. (2007: p.430-432) define this theory as “a ‘theoretical lens’ widely used in studying the adoption and diffusion of organisational forms and practices”, and as “instrumental in explaining some of the differences found across MNC subsidiaries”. Nevertheless, institutional perspective should not be assumed as homogeneous. Two different approaches emerge in the literature. The first approach, the earliest version of the institutional theory, is that; “organisations are under pressure to adapt to and be consistent with their institutional environment” to avoid sanction, gain legitimacy, or access better resources (Bjorkman et al, 2007:432; Scott, 2001). In other words, organisations’ behaviours are shaped and sometimes constrained by the institutional environment (DiMaggio and Powell, 1983:1991; Scott, 2001). This approach implies the passive nature of organisations shaped by the environmental context. Considering this from the perspective of MNCs and host-country institutions, the argument would be that host country institutions shape and constrain MNCs’ employment practices through legal and quasi-legal requirements, and through norms and values embedded in the host country context. As mentioned above, the majority of the studies in the MNC literature stress this by discussing the concept of the ‘host-country effect’.

An important contribution regarding institutional theory comes from DiMaggio and Powell (1983). They argue that organisations are under pressure to comply with the institutional setting and act similarly. They introduce the concept of ‘isomorphism’ to define this similarity and refer to three major types of isomorphism: coercive, normative, and mimetic. Coercive isomorphism is related to legal regulations (e.g. government rules). It means that MNCs behave similarly to other organisations because the host country’s legislation requires them to do so. Normative isomorphism concerns that leading organisations determine the norms followed by others. In the mimetic isomorphism, an organisation imitates other organisations to gain a similar benefit.

Applying the concept of isomorphism to the MNC context, the argument would be that the host country’s regulations and established norms and values shape MNCs’ behaviours and create pressure on them to act similarly with other organisations sharing the same environment. This type of isomorphism is defined by Ferner and Quintanilla (1998:713) as

‘local isomorphism’ referring to “subsidiaries’ similar behaviours to those of other organisations within the host-country environment”. This type of isomorphism can be read as dominance of the host-country effect shaping MNCs’ behaviours. However, Ferner and Quintanilla (1998) also introduce other forms of isomorphism as corporate, cross-national, and global inter-corporate isomorphism. These different forms imply that the host country context is not the only driver of organisations’ similar behaviours but MNC subsidiaries may reveal similarity with other organisations in different contexts other than the host country. In this respect, ‘corporate isomorphism’ refers to “headquarters’ pressure for international conformity within the corporation” to achieve standardisation. In ‘cross-national isomorphism’, “the parent company embodies aspects of the country-of-origin environment which are subsequently transmitted to the subsidiary in the host country”. In global inter-corporate isomorphism, as the last category, “MNCs are subjected to isomorphic pressures from their key competitors in international markets”. This can be associated with the mimetic isomorphism of DiMaggio and Powell (1983), referring to the adoption of best practices developed by leading organisations and imitation of these practices. The point of introducing these different perspectives discussing MNCs’ similar or different behaviours in the host country is to stress that the host environment is one factor among several others influencing MNCs’ behaviours. Chapter 6 and 7 elaborate these factors in detail through the case-study firms.

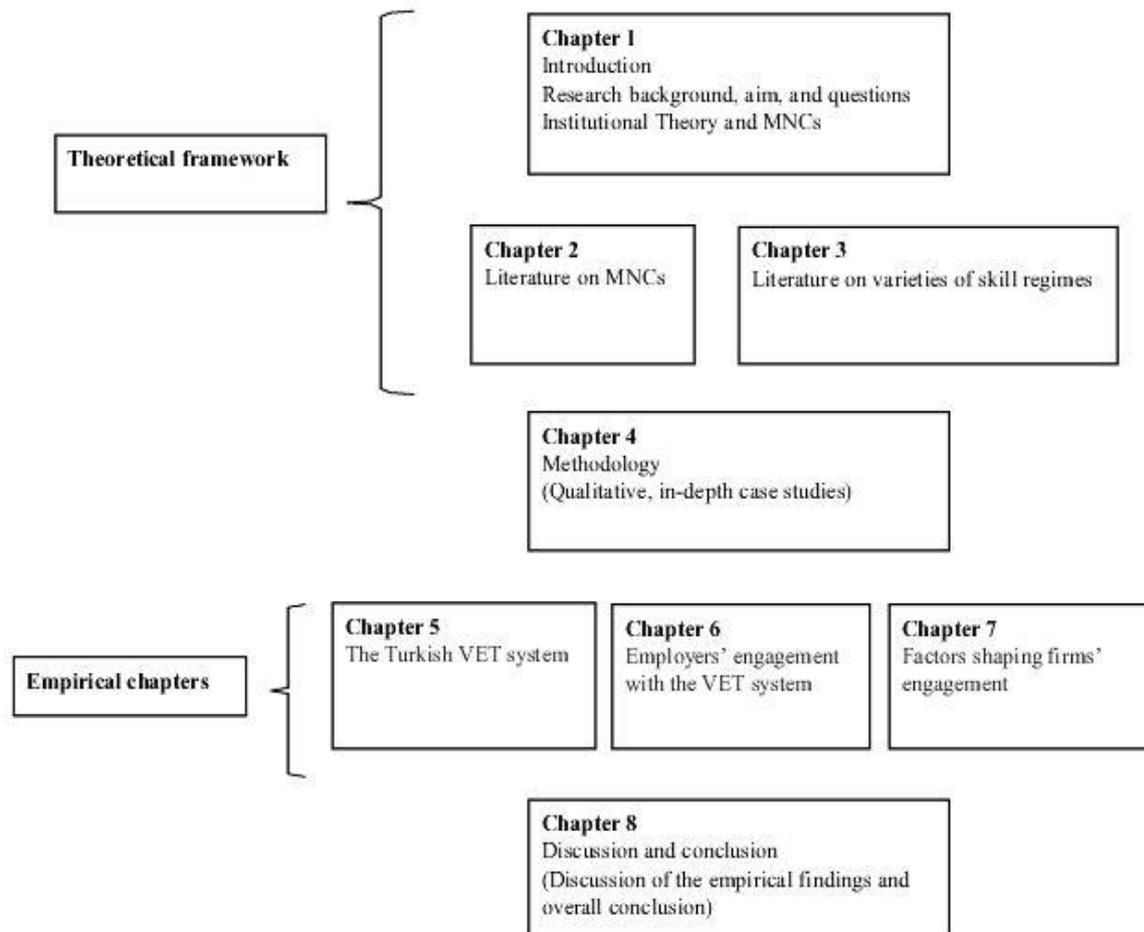
The second approach of institutional theory, the so-called ‘new institutionalism’, argues that institutions do not just constrain but also enable organisations’ behaviours, and in turn foster institutional change. Neo-institutionalists question the coercive power of governmental regulations and highlight the varieties of strategic responses (Scott, 2001). Oliver (1991) states that conformity to institutional pressures is not the only option of organisational actors, but there are several forms of responses such as compromise, avoidance, defiance, and manipulation. This is argued to be strongly related to the dialectical relationship between structure and agency (see Giddens, 1984) when an MNC is considered as the ‘agency’ and the host-country context is considered as the ‘structure’. The argument would be that MNCs’ behaviours are not only shaped or constrained by the host-country institutions, but they may also influence the host country under certain conditions and may achieve institutional change. Westney (1993) addresses two major dimensions of the potential impact of MNCs as institutionalisation and de-institutionalisation. The impact of institutionalisation emerges when MNC subsidiaries play a leading role in establishing ‘the building blocks of organisation’ (Meyer and Rowan, 1997) and encouraging other firms to follow their

institutionalised patterns (Westney, 1993). The impact of de-institutionalisation refers to how “the introduction of new modes of organisation in MNC subsidiaries can challenge the legitimacy of existing patterns” (e.g. the role of the US MNCs in Europe in the 1960s, the role of Japanese MNCs in the US in the 1990s) (*ibid*, p. 74).

Kristensen and Morgan (2007:205) argue that host-country contexts having “weakly integrated patterns of complementarity and reinforcement between different institutions” are potentially open for change and development. This type of institutional setting is likely to enable actors (MNC subsidiaries and local firms) to develop their own strategies. The authors suggest that in a context of weakly coordinated institutions, MNCs are more likely to “rebuild some local institutions to support their business model- e.g. increasing skill levels and improving inter-firm cooperation on innovation” (*ibid*, 204). In such a context, the state may stretch rules and regulations and leave firms more room to build their own institutions. From a broader perspective, this may be explained by the incomplete nature of institutions resulting in institutional ambiguity that in turn is likely to enable firms’ different responses and institutional change that “involve processes of ‘layering’ of new over old institutions and ‘conversion’ of existing institutions to serve changed goals or functions” (Streeck and Thelen, 2005; Keizer, 2010:27).

#### **1.4. Structure of the thesis**

This thesis is structured into eight chapters. In addition to the chapters of introduction, methodology, and conclusion, there are five further chapters that are classified as either theoretical (introducing the literature review) or empirical (discussing the empirical findings) (see Figure 1.5).



**Figure 1.5. Structure of the thesis**

The next two chapters are predominantly theoretical. The first of these (Chapter 2), entitled ‘MNCs and host country institutions’ focuses on the MNC literature. The chapter examines the main factors shaping MNCs’ employment practices and how the literature conceptualises these factors. It then continues by exploring how these factors apply to German and Japanese MNCs operating in different host countries. The second theoretical chapter (Chapter 3) discusses the literature of skill regimes of different countries. It starts with a brief introduction of the varieties of skill regimes including different approaches in a classification of different countries’ skill systems. This is to capture the specifics of institutional variety that shapes differences in an economic organisation including skill development. The chapter then focuses on examining the characteristics of the VET systems in three countries: Germany, Japan, and Turkey, i.e. the home and host countries of the selected case-study firms. It compares the systems in these countries according to several themes including

governance and financing of VET, skill specificity, and status of the VET system. The third section of the chapter is allocated to implication of countries' different skill systems on firms' behaviours by focusing on the potential transfer of the German dual VET system and Japan's firm-based skill system to another country.

Chapter 4 introduces the details of methodological and research design issues. The case study used for this research is described, and explanations on how and why decisions were finalised relating to sampling, data collection (semi-structured interviews and institutional documents), and data analysis (thematic analysis). The chapter also discusses the methodological limitations of the research.

The next three chapters present the empirical findings of the research. The first of these (Chapter 5), entitled 'the characteristics and challenges of Turkey's VET system', provides empirical evidence for the first research question by drawing on the interviews with five major groups: firms, industry chambers, industry actors (employer associations and trade union), state agencies, and vocational teachers. The chapter describes the state-led nature of the system in Turkey and the interviewees' shared perception of the system's weak quality. In accordance with the assessment of the VET system, the subsequent chapter (Chapter 6) focuses on employers' engagement with this system and introduces the empirical findings from the case-study firms' relationship with the system by comparing them on the basis of implementation of VET, implications for the firms' human resources (HR) practices of recruitment and training, and engagement with the institutional context in Turkey. The chapter provides insight into answer to the second research question. The third chapter in this group (Chapter 7) explores how different factors shape firms' engagement with the Turkish VET system as a response to the third research question. Three major factors identified as the home country effect, corporate influence, and the role of actors characterise the analysis in this chapter.

The last chapter returns to the major research questions and it discusses the major contributions of this study to the literature and its policy-related implications. The chapter concludes with the research limitations and recommendations for future research.

## **Chapter 2- Multinational Companies and Host Country Institutions**

### **2.1. Introduction**

When MNCs decide to operate in a different country, they face the important decision of whether to develop global standards applied in the same way in all subsidiaries (standardisation of practices across subsidiary units) or to adapt their practices to the local context. In other words, they face the tension of balancing globally integrated and locally sensitive policies and practices (Edwards, 2015), which also holds for employment practices. However, it does not always have to be an ‘either-or’ decision but firms may start with one strategy and their strategy may evolve towards a different approach in later periods. It may also depend on the different nature of practices as some practices tend to be more ‘global’ and others need more adjustment to the local circumstances (Rosenzweig and Nohria, 1994). Several factors may influence MNCs’ decisions and result in their different behaviours in a host country. The aim of this chapter is to explore how the literature conceptualises these factors and what empirical evidence contributes to our understanding.

The structure of the chapter is as follows. The next section covers the factors influencing employment practices of MNCs in the host country and transfer of practices from the home country. This requires the exploration of MNCs’ embeddedness in different contexts and different approaches in evaluating the factors shaping MNCs’ employment practices. The third section of the chapter is allocated to the empirical studies particularly focusing on Japanese and German MNCs that are known for their distinctive characteristics. Building on the concept of the home-country effect in the previous section, this section provides more specific examples showing how home country influences the MNC behaviour. This also informs the subsequent discussion in this thesis as the two main case-study firms are German and Japanese and therefore it is expected to provide an opportunity for a comparative analysis and a better understanding of how Japanese and German firms behave in different country contexts.

### **2.2. Influences on employment practices of MNCs**

A number of debates exist on globalisation and MNCs’ behaviours, but particularly two contrasting perspectives becoming prominent in the literature as ‘ideal globalisation’ and ‘remaining differences’ that are associated with the two core concepts ‘isomorphism’ and ‘embeddedness’ (see Hu, 1992; Ferner, 1997). One perspective stresses the complete

globalisation, removal of borders, and stateless MNCs that are free from any national effect (Economist, 1995 cited in Ferner, 1997). This approach indicates that MNCs will converge to similar practices according to some 'global' isomorphism. In the simplest term, isomorphism means "having the same or similar crystalline form" (Oxford English Dictionary). From an institutional perspective, it refers to "the extent to which organisations adopt the same structures and processes as other organisations in their environment (Zucker 1977 cited in Ferner and Quintanilla, 1998:712). This actually corresponds to the definition of 'global isomorphism' introduced by Ferner and Quintanilla (1998). It means that MNCs converge to a same global corporate culture "if it is the case that a truly globalised economy is being constructed" (Rubery and Grimshaw, 2003:209). But the concept of isomorphism is not limited to global isomorphism. Ferner and Quintanilla (1998) introduce three other different scenarios of isomorphic pressures as corporate, cross-national, and local in addition to global isomorphism. Corporate isomorphism, also known as internal isomorphism, refers to the condition in which MNCs develop their own practices that are similar across the MNCs' subsidiaries but different than the home- and host-country practices (Ferner, 1997; Ferner and Quintanilla, 1998). Cross-national isomorphism concerns the influence of home-country characteristics on MNCs (Ferner, 1997). In local isomorphism, on the other hand, MNCs' practices mostly resemble the host country environment (*ibid*).

These different forms of isomorphism stress the importance of specific environments. This opens the space for the second perspective acknowledging that complete globalisation is not possible in practice and that remaining differences still exist among MNCs due to their embeddedness in different contexts. Confirming this second perspective, substantial evidence shows that companies "remain deeply rooted in the national business systems" of their home country (Ferner, 1997:19; Beaumont et al., 1990). The concept of embeddedness needs more elaboration before heading to the discussion of other important issues. MNCs are embedded in multiple contexts including home country, host country, and corporate level context. Meyer et al. (2011) analyse these multiple types of embeddedness at two levels- i.e. MNC and subsidiary level. MNC-level embeddedness refers to the adaptation of MNCs to multiple host locations while subsidiary-level embeddedness refers to the balance between 'internal embeddedness' within the MNC network and the 'external embeddedness' in the host environment. This suggests a challenge for subsidiaries to balance their strategic role within the MNC with their local identities and domestic linkages. But their presence in different organisational fields also may offer certain advantages as the multiple embeddedness is likely to provide more room for MNCs to depart from local norms and reap the benefit of their

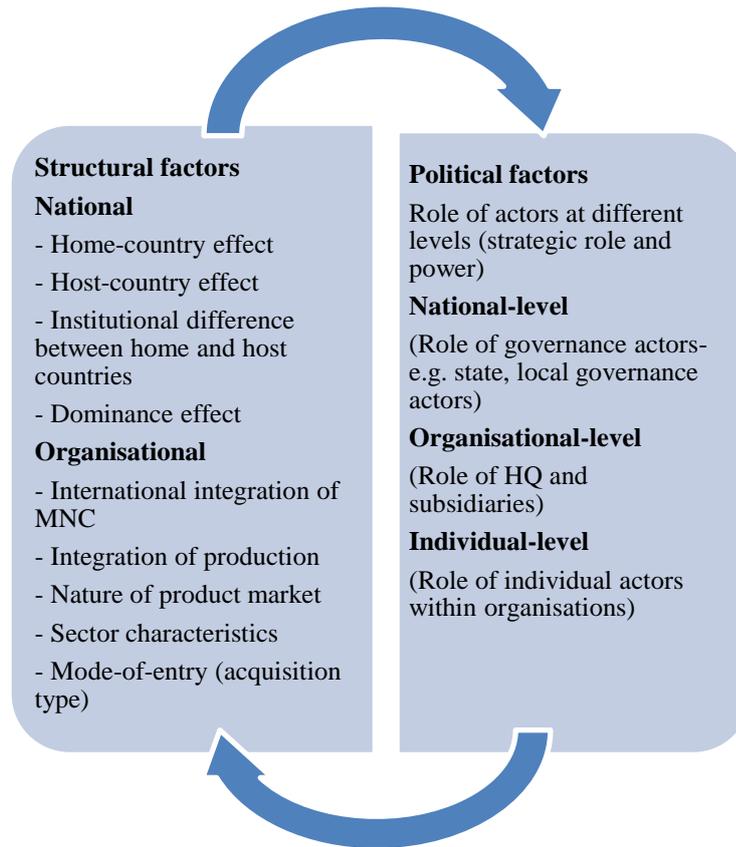
corporate characteristics, especially when compared with local firms that are confined within a national setting (Morgan, 2012).

Considering embeddedness in distinctive contexts as a distinguishing feature of MNCs, Edwards (2015:81) state “MNCs have the capacity to implement expertise in their operations in one country that developed in those in another”. However, the issue of embeddedness is not just limited to MNCs themselves but it may be extended to specific practices including those on employment. Certain practices may be influenced by the components of this context such as the political, financial, and legal system and only survive in a particular institutional context. At this point, the main question is what factors shape MNCs’ employment practices and in what way? Several studies have attempted to answer this question by offering different sets of factors. For example, Edwards et al. (1999) distinguish structural and political factors while discussing the diffusion of employment practices across borders in MNCs. They define ‘structure’ as referring to both the organisational structure and external environment. The political approach, on the other hand, concerns organisational actors’ power and interests that consequently influence organisations’ decisions.

Edwards et al. (1999) distinguish four structural factors: the country-of-origin, the nature of international management structures (globalisation vs. localisation), the degree of production integration, and MNCs’ entry mode choice. Somewhere else, one of the same authors, Edwards (2015) refers to four factors identified as the home country effect, host country effect, dominance effect, and international integration of operations. Marginson and Meardi (2006) also refer to home- and host-country effect. But, as different from Edwards (2015), they highlight how the motivation for entry and the nature of production (capital- or labour-intensive) also shape MNCs’ practices in the host country. Gamble (2003) introduces a more extended list of factors by distinguishing them as structural dimensions (the country-of-origin, integration degree of international production, the nature of product markets), institutional and cultural features of the host country environment, firm-specific practices, and the presence of expatriates in key management roles. Meardi et al. (2009:509) specifically focuses on the factors influencing transfer of employment practices from the home country and discuss three issues: the nature of practices, mediating factors (“mode of entry, technological integration, degree of capital integration and position in the home country’s diversified production system”) and power balances. Regarding the nature of practices, Meardi et al. (2009) state that some practices are directly linked to production (e.g. training) while some other practices are strongly related to the parent company (e.g. corporate culture and philosophy). The mediating role of other factors such as mode-of-entry and

degree of technological and capital integration is also important to consider while examining MNCs' behaviours (*ibid*). In addition to these 'rational' factors, Meardi et al. (2009) point out the importance of power balances and the role of actors in shaping MNCs' decisions. Drawing on these various (though partially overlapping) sets of factors in the literature and being primarily inspired by the distinction of Edwards et al. (1999), the factors discussed in this chapter are structured around two broad categories: structural and political factors (Figure 2.1).

The following section examines in detail the debates and empirical evidence on the structural and political factors influencing MNCs' behaviours in a host country context. Highlighting the dynamic interaction between these factors, Edwards et al. (1999:290-291) state that "structural factors do not have determining effects; rather, internal political factors can override the influence of structural factors. Equally, however, political processes do not operate independently of structure, but are shaped and constrained by it". Structural and political factors thus display an overlapping pattern and cannot be clearly separated. Structural factors include political aspect, and political factors include characteristics of structural factors. Providing an empirical example, Ferner et al. (2005) apply a combination of 'comparative institutionalist approach' and 'power/ interests perspective' to explore the cross-national transfer of employment policy through the empirical study of the US MNCs in the UK. Their finding shows that the actors within the subsidiaries are influential in negotiating the implementation of corporate diversity policy and that they use the power to "resist the full implementation of corporate diversity policy" (*ibid*, 304).



**Figure 2.1. Dynamic integration between structures and politics shaping MNCs' behaviours in a host country**

### 2.2.1. Structural factors

Acknowledging the existence of several sets of structural factors, this section follows Edwards et al. (1999) in discussing the factors (Figure 2.1). Edwards et al. (1999) consider four factors in explaining the presence or absence of transfer of practices. These are listed as country-of-origin (home country), international integration of production, nature of management (localisation vs. standardisation at the global level), and mode of entry in the host country. They state that especially production integration and the MNCs' decision on management nature are related to the sector in which they operate and shaped by product competition. For example, the sectors in which consumer tastes differ in different countries entail MNCs to adapt their practices to the local context of the host country rather than to integrate their activities at the corporate level. Ferner et al. (2005) also refer to a variety of factors categorised in different ways in the literature including the structure and strategy of

multinationals, characteristics of particular policies and practices, and the nature of the national systems of the home and host countries. They state that transfer is more likely to be affected by a subsidiary's role within the MNC, the extent of interdependencies between units, nature of intra-corporate and external networks in which subsidiaries are embedded (*ibid*, 305). Given these different but also overlapping factors addressed in the literature, this chapter primarily examines the structural factors in two broad categories on the basis of MNCs' embeddedness in different contexts: national factors referring to external country environments (home- and host-country effects, institutional difference and dominance effect) and organisational factors referring to MNCs' internal corporate environment.

### **2.2.1.1. Home-country effect**

As mentioned earlier, one of the major debated areas in the MNC literature is related to the existence or erosion of country effects. Given the strong influence of globalisation on international business and blurred borders between countries, one would expect a convergence of countries' characteristics and MNCs' practices. However, a number of studies show that the home-country effect still matters as MNCs carry the characteristics of the country in which they are originally rooted (e.g. Vo and Hannif, 2012; Meardi et al. 2009). Edwards (2015) also acknowledges the distinctive national effect of the home country on MNCs' management style. He gives the examples of the US MNCs prioritising shareholders' rights and sheltering hostility towards trade unions within the German context in which unions having strong role and companies mostly adopt consultative management style and stakeholder approach. Nevertheless, Edwards argues that the home country effect may become weaker due to the increasing international integration of MNCs and the emergence of 'best practices' outside the home country as an outcome of MNCs' subsidiaries learning from each other. The subsequent processes can lead to the unexpected outcomes. Hayden and Edwards (2001) introduces an interesting paradox through the case of a Swedish MNC in Britain and Belgium. Their study shows that the 'Swedishness aspect' of the MNC welcoming democratic management style and openness of communication promoted the "process of learning from other countries, which in turn eroded the country of origin effect" (*ibid*, 133).

One common tendency in MNC studies would be to approach all MNCs in the same way by assuming that they belong to one home country from where they originated. But, Almond (2011b) highlights the necessity of considering different types of home country effects- i.e.

separation of the country of ownership and country of management. Country of ownership refers to the financial governance of MNCs whereas country of management means management of operations (*ibid*). This distinction suggests the need to consider the potential complexity involved in the analysis of MNCs' home countries. Particularly, in the case of cross-border mergers and joint-ventures, it becomes difficult to determine the nationality of the firm. Almond (2011b) illustrates this by giving the example of the merger between the French and German pharmaceuticals firms and expressing the complexity to trace HQ management and ownership in such a case. Moreover, some MNCs such as those from small European countries (e.g. Nokia) have different structures of ownership and operation in the sense that the majority of their shares are traded on the London or New York stock exchange (*ibid*). In such cases, it becomes more difficult to explore the actual home-country effect, as it may be the combination of multiple home countries.

#### **2.2.1.2. Host-country effect**

It is not just the home country that influences MNCs at the national level. There are also important differences in the national environments of host countries that may affect the employment practices of MNCs operating in these countries (Grimshaw et al., 2015). The host country's institutional setting may play an enabling or constraining role on MNCs' specific employment practices (Rozenzweig and Nohria, 1994). In this respect, the literature highlights the role of the host country or regional effects in pushing MNCs to modify their policies to adopt local practices or hybrid practices that combine the local norms and home country characteristics. For example, Schmitt and Sadowski (2003) compare the HRM and IR practices of US and British subsidiaries operating in Germany with those of German firms. Their findings show the existence of strong pressures particularly in the field of IR (co-determination and compliance with collective bargaining) to adapt to local norms.

MNCs need to understand different institutional arrangements of the host country. Grimshaw et al. (2015) refer to several institutional dimensions including labour market regulations, education and training arrangements (career structures), industrial relations systems, and production system. The labour market institutions and education and training arrangements can be considered together to understand their influence on MNCs' employment practices and consequently, MNCs' need for short-term and long-term employment strategies. If internal labour markets are strong in a host country, which means that employees have long-term career plans within the firm they work rather than moving to different firms, job

mobility is low in this country. Hence, it may be difficult for MNCs to find qualified employees in the labour market. In this context, the firms are more likely to recruit the candidate from the existing national education system at the entry-level (Rubery and Grimshaw, 2003), and then they provide structured training at the workplace as well as offer long-term careers to these individuals. In other words, recruitment and training strategies of an MNC tend to be shaped by nature of labour market and national education system. Legal requirements of the host country in terms of skill development are also influential for MNCs' employment practices. In some countries like the US, MNCs have the freedom to adapt to host country systems. On the other hand, in some other countries like France and Singapore firms may feel obliged to provide training in accordance with the host country's national skills system or pay training levies (Billet and Smith, 2005).

The industrial relations system of the host country is another dimension that MNCs need to consider while designing their employment practices. The density of trade union membership and coverage of collective bargaining of host countries may influence MNCs in different ways. In some countries like Germany and Sweden, where unions are strong, MNCs may have no other option but to comply with legal requirements to recognise union membership. In some other countries where union membership is weak, MNCs may prefer to avoid any interaction with unions. Almond et al. (2014) refer to the term 'regime shopping' that is used in explaining those situations where some MNCs try to avoid labour-friendly practices of the host country and make their investment decisions according to it and negotiate with local governance actors to convince them for a lower-level of protection of labour. These discussions show that power and politics need to be considered to understand the complex relationship between MNCs and local governance actors, which will be examined in detail in the following section. MNCs' power to negotiate the nature of labour market governance of a host country is to some extent associated with the dependence of a local economy on foreign investment (Elger and Smith, 2005). If the local economy of the host country is heavily dependent on the operations of MNCs, the failure of foreign investment may be destructive for the host country. Therefore, local institutional actors including policy-makers and trade unions may stand for MNCs to strengthen their competitiveness in the local market.

The dominant production system in the host country may be also influential in the organisation of employment. Rubery and Grimshaw (2003) highlight the two-way relationship between production regimes and employment regimes. For example, some countries focus on production of standardised products at a low price, other countries primarily compete on 'a reputation for quality', and yet other countries focus on production

of innovative products and designs (*ibid*). These different production strategies are likely to be strongly related to countries' employment regimes. The production system focusing on quality and innovation is expected to be based on high skills and high trust employment relations, whereas the production system focusing on standardised products prioritise the minimisation of labour costs (*ibid*). For example, Fordism and Toyotism, the most known examples in the automotive industry (Grimshaw et al., 2015), entail different employment regimes. In its broadest term, Fordism refers to a standardised mass production in which employee discretion is very low, and it is mostly connected with a short-term employment relationship. On the other hand, Toyotism refers to 'just in time' production system where tacit knowledge of employees plays an important role and thus employee discretion is expected to be higher. The third type of production system, diversified quality production (DQP), associated with Germany, relies on a high level of skills and high trust relations between employers and unions that are supported by national systems of collective bargaining (Rubery and Grimshaw, 2003). Companies adopting this system are mostly expected to develop long-term employment strategies to attract and retain key talents within the organisation.

So far, the debate was structured around the factors that shape MNCs' behaviours in the host country environment. Nevertheless, MNCs should not be assumed to be passive entities as they may also adjust the host country institutions in line with their policies/strategies. The institutional elements of the host country mentioned above are expected to create a pressure for MNCs to adapt their practices to the local context. But, Kostova et al. (2008) point out the possibility of the host country's weak institutional pressures and MNCs' stronger position over the host country institutions. Referring to the active role of MNCs in shaping institutional rules, Ferner and Tempel (2006) state that these cross-national actors should not be considered as an 'exogenous shock' to national institutional systems but rather as part of an on-going interaction between institutional rules. Kristensen and Morgan (2007) state that MNCs interaction with local context may have several forms based on the type of multinational and the type of institutional context. Accordingly, they develop four types of interaction between MNC strategies and institutional settings (see Table 2.1). In this typology, MNC strategies are distinguished as the short-term and long-term orientations to investment. Here short-term orientation refers to MNCs' focus on short-term demands of shareholders and capital markets that are most likely achieved through the flexibility of people, tasks, organisation structures and markets (*ibid*, 208-209). The host country context is

distinguished on the basis of “the degree to which the institutions and the actors in the local context were integrated and complementary” (*ibid*, 209).

**Table 2.1. Types of interaction of MNCs with their host institutional contexts**

		MNC strategy	
		Long-term	Short-term
<b>Host country context</b>	Strong, coordinated	Type 1 institutional negotiation	Type 3 institutional conflict
	Weak, fragmented	Type 2 institutional development	Type 4 institutional decline

Kristensen and Morgan (2007) argue that when compared with the US and UK firms, Japanese and German MNCs are more long-term oriented in their investment. For example, Japanese firms mostly prefer to start from scratch and establish their own production system and supply chain in the host country. Similarly, German MNCs’ strategy is mostly based on the aim of achieving long-term change and improvement. This particularly has the implication on the firms’ demand for educated workforce. But, referring to the empirical studies in the literature, the authors highlight that despite their long-term approach, Japanese firms in the UK were not deeply embedded in the local context and not interested in upgrading skill levels of the host country. This actually confirms the characteristics of Japanese firms to prefer internal training (*ibid*).

### **2.2.1.3. Institutional difference and dominance effect**

The influence of countries’ national context on MNCs is more complicated than is often assumed and it is not limited to home-country and host-country effects. Institutional differences between the home and host country effects and ‘dominance effect’ are other important concepts that need further consideration while exploring MNCs’ behaviours in a host country. Neo-institutional approach examines the institutional profiles of countries and measures the institutional difference between countries (Kostova et al. 2008), also known as ‘institutional distance’ (Kostova, 1999). The assumption is that the shorter the distance, the greater the extent of the transfer of practices from the home country. Thinking the other way around then suggests that the greater the difference between home and host countries, the

more difficult it becomes for MNCs to achieve the practice transfer. This can be illustrated through the study by Humphrey (1995) with the Japanese MNCs operating in the Brazilian motor components industry. The argument is that the limited conditions of the host country context may create barriers to transfer, as it is the case of the Japanese firms attempting to implement lean production in Brazil. The study shows that the Brazilian workers' limited breadth of skills and the country's poor provision of education system makes it difficult for Japanese firms to achieve flexibility through multi-skilling. Another example can be given by the study by Geppert and Matten (2006) with British and German subsidiaries of three MNCs (a US, Finnish, and German MNC) operating in the lifts and escalator industry. The study results show that "manufacturing strategies of MNCs from highly coordinated home systems, such as German MNCs, are highly context specific" (*ibid*, p.491). Therefore, these companies have difficulty in transferring their home-country practices to a host country with the weakly coordinated business system. The scholars argue that even though the organisational structure and procedure of MNCs are sector-specific, national institutional features of the home and host countries influence them. In connection with this argument, Almond and Ferner (2006) calls for a systematic research to examine how home- and host-country effects interact with other structural effects (sector, mode-of-entry, the age of operations in the host country); highlighting that this is essential for understanding the full picture.

The dominance effect is the other important concept that is essential in examining national country effects on MNCs. According to the definition of Pudelko and Harzing (2007:536), "it occurs when management practices of subsidiaries are shaped according to neither the host country (localisation) nor the home country, but according to that country that sets the standards for what are perceived as global 'best practices'". Edwards (2015) identifies the dominance effect as one of the factors influencing the nature and form of practice transfer across borders. Pudelko and Harzing (2007) refer to the possible connection of the dominance effect and isomorphism. Subsidiaries sharing the same/similar context, especially surviving in an institutionally uncertain environment, may follow 'mimetic isomorphism' "where organisations adopt seemingly successful best practices" (*ibid*, 540). It means that they tend to follow best practices to increase survival and gain legitimacy and competitiveness. In this case, best practices may not come from the home or host country but a third country. Conducting the research with MNCs headquartered in Germany, Japan, and the US, Pudelko and Harzing (2007) state that Japanese subsidiaries in Germany and German subsidiaries in Japan do not reveal the characteristics of home or host country but rather adopt the US-style practices, which can be explained by the dominance effect. This suggests that the influence of

national country context on MNCs needs careful analysis because it is not always straightforward to detect whether it is the home country, host country, or dominance effect that shapes MNCs' policies and practices.

#### **2.2.1.4. Organisational factors**

MNCs' behaviours in the host country are influenced not only by their external environment but also by organisational factors that define the internal environment of MNCs. The literature lists several organisational factors. For example, Edwards et al. (1999) refer to the nature of international management structures, the degree of production integration, and MNCs' entry mode choice. Almond and Ferner (2006) speaks about sector characteristics and mode of entry. Gamble (2003) lists the nature of product markets and integration degree of international production. These factors are strongly inter-linked and at times overlap with each other, which makes it difficult to distinguish the individual factors. Drawing on the existing literature, the remainder will, however, discuss four organisational factors determined as the international integration of MNCs, integration of production and nature of product market, sector characteristics, and the mode-of-entry (acquisition type) when establishing subsidiaries (See Figure 2.1).

International integration refers to how operations of MNCs are linked across different countries. The level/character of international integration determines whether MNCs adopt a global or local perspective and how this shapes the HQ-subsidary relationship. This relationship is mostly examined through the concepts of centralisation and decentralisation (see Ferner et al., 2004). Centralisation represents the centralised decision-making mechanism of the HQ and its control over the subsidiaries while decentralisation stands for the degree of subsidiary autonomy. Different types of MNCs show different degrees of centralisation and decentralisation. Bartlett and Ghoshal (1989) refer to four types of MNCs: multinational (multi-domestic), international, global, and transnational. In the sense of HQ control and subsidiary autonomy, this typology shows that multi-domestic firms have the least degree of centralisation as the organisation is based on decentralised federation (Rubery and Grimshaw, 2003). International firms, the second type of MNCs, organise their 'core competencies' in a centralised manner while decentralising other activities (*ibid*). On the other hand, global MNCs have a tighter centralised structure while leaving less room for subsidiaries' discretion, which suggests a hierarchical structure. Transnational firms, the fourth type of MNCs are organised around multiple centres that are interdependent (*ibid*).

Earlier studies predominantly examined this issue from the HQ's perspective and therefore at the level of control and centralisation of decision-making (e.g. Doz and Prahalad, 1981 cited in Dörrenbächer and Geppert, 2011). But, some later studies emphasised the complex nature of MNCs, considering them as an inter-organisational network. These studies began to take into consideration the role and power of subsidiary autonomy while covering the MNC-related issues. A brief review of the relevant literature shows that there are several factors affecting the subsidiary autonomy (Young and Tavares, 2004: 226-227). In this respect, MNCs' embeddedness within different contexts is an important and relevant issue to consider. Bouquet and Birkinshaw (2008) introduce two types of embeddedness: corporate and external embeddedness. Corporate embeddedness "assesses the importance of linkages subsidiaries entertain with the corporate HQ and peer subsidiary units throughout the world" (*ibid*, 487). External embeddedness, on the other hand, "identifies the density of subsidiaries' relations with outside stakeholders (e.g. suppliers, customers, governments)" (*ibid*, p.487). These different types of embeddedness are strongly interlinked with the classification of Bartlett and Ghoshal (1989). Corporate embeddedness informs the integration within MNC and therefore it can be associated with a global MNC strategy. External embeddedness stresses the importance of local context and therefore it can be considered with a multi-domestic MNC strategy. Strong embeddedness within external networks and industry clusters may both require and allow for more subsidiary autonomy. Andersson and Forsgren (1996) provide evidence supporting the argument that the more embedded the subsidiary is within its external network including customers, suppliers, and counterparts, the lower the degree of perceived control of HQ. Hence, it can be argued that subsidiaries' local embeddedness is determined by their long-term relationship with suppliers and customers in the local environment and this embeddedness may have a substantial influence on the status and role of a subsidiary within the MNC. Accordingly, local market-oriented subsidiaries show a tendency to have greater autonomy (Garnier, 1982; Harzing, 1999). Developing different MNC typologies according to the firms' strategies of international integration, Bartlett and Ghoshal (1989) state that subsidiaries of multi-domestic companies need more flexibility to accomplish local responsiveness, and therefore need more autonomy.

In exploring the HQ-subsidary relationship on the basis of international integration, it is essential to consider subsidiaries' partial autonomy. In other words, the subsidiaries may hold autonomy in particular functions while still depend on HQ control in other functions (Rosenzweig and Nohria, 1994). Hence, it is important to consider that different activities may require different approaches in terms of centralisation and decentralisation. For example,

value chain activities such as finance, production, and R&D are expected to be more centralised than HR activities that are relatively more associated with local norms, culture, and regulations. Therefore, HR practices are more likely to be adapted to local context and therefore require more subsidiary autonomy when compared to other activities such as production and finance (Young and Tavares, 2004).

In addition to the deterministic approach in defining factors affecting the relationship between HQ and subsidiary, the literature also draws attention to the ‘assigned or assumed autonomy’, which can be considered as an indication of the interplay between structural and political aspects of the factors. For example, Birkinshaw (1997) states that autonomy may be assumed by the subsidiary rather than assigned by the HQ. Similarly, Birkinshaw et al. (2000) shape their study on two premises: HQ and subsidiary managers have different perceptions about the role of subsidiaries and such a difference has important implications for the management of HQ-subsidary relationship. In this respect, Young and Tavares (2004) define the autonomy as a ‘relative concept’. Based on the discussion in the literature, it may be rational to consider the perception gap between the HQ and subsidiaries rather than to take for granted the existence of an absolute form of relationship perceived in exactly the same way by both sides. This also suggests considering the HQ-subsidary relationship from a political perspective and examining divergent goals and interests of different actors within the MNC (Dorrenbacher and Geppert, 2011). This issue will be covered in detail in the following subsection focusing on political factors shaping MNCs’ practices.

The literature refers to the influence of production model and nature of product on MNCs’ practices. The argument of Edwards and Kuruvilla (2005) is that international standardisation of the product is expected to result in MNCs’ effort to control and standardise HR practices across the subsidiary units. Ferner et al. (2011) focusing on MNCs in the UK supports this argument. Their study shows that globally standardised products/services results in more central control of HR than those whose products adapted to the local market. Regarding the connection between production, product, and MNCs’ employment practices, Geppert and Matten (2006) provides evidence from the study on the US, German, and Finnish MNCs operating in Germany and the UK. They show that that the US and Finnish firms adopt large-scale production approach and produce standardised products. This consequently shapes their skill requirement for low-skilled employees. In addition, standardisation in production and product justifies strong HQ control and centralisation of corporate governance while leaving little room for employee involvement. German MNCs, on the other hand, adopt the ‘order production approach’ and produce customised products. It means that their production is

driven by the customers' order and special demand. In this context, the German firms prioritise high-level employee skills, encourage extensive employee involvement, and emphasise development and use of local knowledge. They also promote the decentralised organisation of subsidiary operations.

Regarding the sectoral factors, two issues have been prominent in the literature, showing the importance of sectoral characteristics in understanding MNCs' cross-border behaviours. The first issue is the different level of centralisation in different industries, which also informs the subsidiary autonomy specific to industries. Birkinshaw et al. (1998: 228) define this through a spectrum having "at the one end, pure global industries in which the subsidiaries' activities are integrated with the rest of the corporate network", and at the other end, multi-domestic industries in which competition is limited to the domestic market. Accordingly, more globalised industries (e.g. automotive and electronics) tend to experience a higher level of centralisation (Young and Tavares, 2004). The industries requiring local responsiveness, on the other hand, are expected to display more subsidiary autonomy. This is illustrated in the study by Myloni et al. (2004) with MNC subsidiaries in Greece and local Greek firms operating in several industries (chemical/pharmaceuticals, electronics, food/beverages, banks, and hotels). The study shows that the lowest level of HRM transfer emerged in the banking industry. This is mainly due to the localised nature of banks having the competitiveness at the local level (*ibid*). Ferner et al. (2004) also emphasise that the nature of sectors matters in terms of the subsidiary autonomy. They focus on the US MNCs operating in several industries (mechanical engineering, civil engineering contracting, consumer goods, food and drink, chemicals and household products, IT services, pharmaceuticals, and chemicals) in Britain, Germany, Ireland, and Spain. Ferner et al. (2004) found the relative weakness of central financial and HR systems in the firms operating in the sector of civil engineering contracting. This example shows the tendency of more subsidiary autonomy in specific sectors in which "operations are high value and high risk while requiring detailed local knowledge" (*ibid*, 372).

The second issue regarding the sectoral factors is the level of unionisation in different industries including high unionised industries (e.g. engineering, banking) and low unionised industries (e.g. food industry) (Colling and Clark, 2002; Myloni et al., 2004; Royle, 2004). Myloni et al. (2004), for example, refers to the nature of banking sector characterised by strong unions. Their study found that bank unionism is one of the obstacles for transfer of HR practices. This situation discouraged some MNCs from setting up subsidiaries in Greece (*ibid*). As a contrasting example, the study by Royle (2004) focusing on the labour relations

practices of MNCs in the German and Spanish quick-food service sectors shows that the low unionised context of food industry enables MNCs to follow their strategies of greater profitability and lower cost through increasing standardisation, union exclusion, low trust, low skills, and low pay.

Some scholars argue that entry mode of MNCs into a new host country also needs consideration while examining the factors shaping MNCs' behaviours in the host country. Two distinctions emerge from the literature regarding the concept of entry mode: type of foreign direct investment (FDI) and type of establishment (greenfield vs brownfield). Marginson and Meardi (2006) argue that motivation for entry influences production and employment practices of MNCs. In the sense of entry motivation, they distinguish FDI as market-seeking FDI and efficiency-seeking FDI. Market-seeking FDI is primarily concerned with meeting the demands of local customers, but not closely integrated into MNCs' operations in other countries (*ibid*). This implies that market-seeking FDI is more likely to adapt to local conventions in employment practice rather than engage in the inward transfer of home-country practice (Marginson, 2000: 89–90). Efficiency-seeking FDI, on the other hand, is more concerned with achieving labour productivity and quality and integrating its production into the MNC's wider production network. Therefore, this form of FDI is expected to promote diffusion of practices from the home-country or alternatively best practices developed by the MNCs' other subsidiaries. Regarding the connection of FDI entry and home-country effect, Meardi et al. (2009) provide evidence from two German firms in Poland. They argue that mode of entry functions as a moderating role on home-country effect, explaining different behaviours of the two firms. One of the firms is the example of greenfield subsidiary and therefore it is less constrained by pre-existing practices in the host country and has more room to implement home-country practices when compared with the brownfield subsidiary.

### **2.2.2. Political factors**

Two main issues come forward in the literature regarding political factors. These are identified as the importance of 'politics-power' in the MNC context and the analysis of this concept at different levels by exploring roles of different actors. MNCs are not uniform entities with actors having aligned goals and interests but they are rather formed of 'transnational social space' (Geppert and Williams, 2006), and 'contested terrain' (Edwards and Belanger, 2009). The literature highlights the necessity to consider MNCs as multi-

layered organisations dealing with micro-political actors- i.e. the role of agency and diverse interests and identities of key actors, and macro-political institutions simultaneously (Almond and Ferner, 2006; Dorrenbacher and Geppert, 2011). In its broadest sense, politics in the MNC context can be considered as actors' activities to gain power and use it in line with the interest of a specific group. This suggests that power is an important issue in understanding MNCs from a political perspective. Dorrenbacher and Geppert (2011:27) point to the contextual aspect of power relations between actors such that they are "institutional and culturally shaped but not determined and interactively and discursively constituted by actors with specific identities and interests (subjectivity)". This suggests that the issue of power-politics requires multi-level analysis. In this respect, studies in the literature examine the issue at three levels: national, organisational, and individual level (Bélanger and Edwards 2006). The national-level analysis covers the broad context of national-international society, cultural and political influences of stakeholders and the role of governance actors. Examining the interaction between governance actors of the host country and MNCs is particularly important to understand the power-based relationship between them. MNCs are assumed to be an important source of FDI, and therefore governance actors are expected to develop several ways to attract and retain MNCs. This is, certainly, related to the degree of the host country economy's dependence on FDI. According to Almond (2011a:532-533), "as the locations compete for foreign investment, host governance has increasingly shifted from imperative regulation- what the Orthodox IHRM literature might call 'constraints'- to the competitive provision of supports for MNCs and the local firms dependent on them".

Regarding the approach of host countries towards FDI, Almond et al. (2017) refer to the various forms of governance of FDI. They categorise these forms as market-led, associational-led, and state-led governance. Market-led governance is related to a neo-liberal approach that includes low corporation tax, low labour costs, and flexible labour regulation. Host countries adopting this type of approach may be open to loose regulations and sacrifice their established rules and regulations to compete for FDI. The scholars address the key role of nodal actors in this form of governance. These actors are responsible for bringing together other governance actors and adjust the conditions of a local business system to the requirement of MNCs. The second category, state-led governance refers to an active intervention of state actors in the local business system through economic development and engagement with individual investors in order to strengthen institutional competitiveness (e.g. low corporation tax). The last category is associational-led governance that refers to the partnership among business systems actors including local firms, social partners, the

education sector, and locally embedded MNCs. These different forms of governance suggest that the power-related relationship between MNCs and the governance actors of the host country plays an important role in shaping MNCs' behaviours as well as their influences within the host-country context. This concerns the level of the host country's dependence on FDI for its economic growth as well as MNCs' interests in a particular host country (e.g. access to new markets, cheap labour, and raw material).

The organisational-level analysis focuses on the MNC itself that is accepted as a politicised organisation. Kostova and Roth (2002) state that the adoption of an organisational practice within particular national settings is not only dependent on the host country institutions but also the relational context within the MNC. In this respect, the role of subsidiaries and their strategic position within the MNC can be also considered as part of the organisational-level analysis. Subsidiaries are neither passive components of MNCs, merely following the instructions of their parent companies, nor static respondents to local institutional rules and norms, but involved in "a complex and dynamic interaction" (Morgan & Kristensen, 2006: 1472). Regarding this, Geppert et al. (2003) state that policies and practices in MNCs are not only shaped by the HQ but also influenced by subsidiaries. In other words, an interactive process exists between these two key components of MNCs. In this process, subsidiaries can influence the HQ-subsidiary relationship through their initiatives, which implies that the relationship does not always have to be top-down but rather has a complex nature also including a bottom-up approach.

The strategic importance of a subsidiary within the MNC and its local context may have a substantial influence on its autonomy to determine the practices in the host country. If a particular subsidiary has a key position within the MNC and if the subsidiary gains this position through its power in the local context (e.g. access to local knowledge) and close relationship with local actors, then the parent company may be less interventionist towards that subsidiary and besides support its engagement with the local business system. In the sense of what determines the subsidiary role and power, the literature addresses three factors identified as head office assignment, subsidiary choice/decisions, and local environment determinism- influences of environmental factors on decisions of HQ and subsidiaries (Birkinshaw and Hood, 1998). Similarly, Geppert and Williams (2006:49) refer to three key influences on local management and employees to gain power and make strategic decisions: the overall strategic approach of the multinational group, the strategic position and the economic performance of the subsidiary itself, and the degree of institutional embeddedness of the subsidiary in the host country. This is confirmed by the study by Ferner et al. (2011).

They conducted the research in MNCs in the UK to examine the degree of subsidiary discretion in HR policy formation. The research findings show that nationality of ownership and product/service standardisation are two important factors determining the degree of HQ control. But the authors argue that the relative strategic role and autonomy of the subsidiary may also influence the nature and extent of innovation in HR policies.

The political approach applies also to the issue of transfer. It points out the role of actors in an organisation and their engagement in the process of transfer “as a way of gaining legitimacy and advancing their own interests” (Edwards, 2015:85). MNCs’ relationship with several actors in their domain has a complex structure not only including forward instructions and transfer from HQ to subsidiaries but also including several other groups’ interests (Almond and Ferner, 2006). This suggests that, as introduced earlier, the subsidiary actors do not always share aligned goals and interests with the HQ but they may have divergent and sometimes conflicting interests that may lead to a contested relationship and even result in the block of the transfer. For example, HQs may have an interest in controlling the transfer of particular practices while senior managers look for an opportunity to obtain legitimacy and subsidiaries are interested in gaining power and “portraying themselves as key contributors to the MNC’s networks” (Edwards, 2015:85). Aligned or conflicting interests of these groups influence the process of transfer by enabling or blocking initiatives. This is illustrated by Broad’s (1994) study of a Japanese manufacturer in Britain. The study shows that the tension between the Japanese expatriates and British managers impeded the transfer of ‘high involvement management’ (HIM) as it created an adverse impact on a strong organisational culture based on this practice. Although the expatriates were in a powerful position in representing the authority of the HQ, the British managers also gained power through developing their own communication network that the Japanese managers could not access. This implies that transfer of policies and practices is a contested and political process (Dorrenbacher and Geppert, 2011) and it cannot be explored merely by analysing the structural factors such as national regulations, industry characteristics, and production model. Regarding this, Ferner et al. (2012) highlight the necessity of the systematic incorporation of power and interests into the analysis of the cross-border transfer of practices within MNCs. They refer to “different kinds of power capabilities through which MNC actors influence their institutional environment both at the ‘macro-level’ of host institutions and the ‘micro-level’ of the MNC itself” (*ibid*, 163). Acknowledging the advantage of adopting a political perspective in understanding the transfer issue, Edwards (2015) states that this approach considers organisational actors’ motivation rather than only focusing on their rational

decisions. Nevertheless, it is not sufficient by itself because it does not provide insight into the wider country contexts' impact and external constraints to transfer (*ibid*). This reminds the argument introduced earlier that dynamic interaction between structural and political factors should be considered together in examining MNCs' practices.

The third level analysis in politics-power is an individual-level analysis that examines the role of individual actors within an organisation, political game playing between individuals or group of individuals, resistance and negotiations between managerial groups and between managers and employees. This actually suggests the absence of a clear cut-off between organisational- and individual-level analysis and the possibility of overlapping to some extent. Williams and Geppert (2011) conduct a survey of the literature on plant-level employment relations in Germany and show the important role of local managers and workers' representatives in protecting skills and jobs in the German plants owned by foreign MNCs. The authors' empirical study of a German plant acquired by a Finnish MNC illustrates this situation. The study provides the evidence of the tension at different levels- i.e. between local management and works council, and between the subsidiary and HQ, and its adverse impact on skills and R&D base of the German plant (Geppert et al. 2003). Another example showing the importance of micro-politics in MNCs' activities is the empirical study Ferner et al. (2005) conducted in US MNCs in the UK. They provide evidence in terms of how "the ability of actors within the subsidiaries to mobilise and deploy specific power resources enables them to reject full implementation of corporate diversity policy and thus leads to negotiation" (*ibid*, 304).

### **2.3. Employment practices of Japanese and German MNCs in a host country**

This section considers the literature on German and Japanese MNCs in different host countries and industries. Table 2.2 displays an overview of some of the most cited studies focusing on Japanese and German MNCs. These studies confirm the home- and host-country effect. The major reason to choose Japanese and German MNCs is their distinctive characteristics emphasised in the literature as they are identified with the two dominant models of skill development through respectively internal and occupational labour markets (Thelen, 2004; Thelen and Kume, 2001). The specific characteristics associated with the Japanese firms can be summarised as seniority-based payment, broad job description, labour flexibility through multi-skilling and in-group rotation, extensive in-house skill training and formal on-the-job training (OJT), and enterprise unionism (Aoki, 1988; Oliver et al. 1998;

Koike, 1992; Itoh, 1994). Payment is not attached to particular jobs, but it is predominantly determined by the level of employees' seniority in a company. Jobs are defined broadly. In this context of the absence of detailed job description, employees are expected to be multi-skilled. They are assigned to multiple tasks and regularly change their working site through the rotation. Skill development is not organised at the industrial level but it predominantly takes place at the firm-level and within the keiretsu- i.e. among firms "operating in different sectors but within one 'family' of companies" (Hall and Soskice, 2001:34). Firm-specific training programmes encompassing formal OJT and classroom training play an important role in skill acquisition and development. These mentioned practices are embedded in the long-term employment relationships (life-time employment) and enterprise unionism (developed company unions). The industrial relations perspectives of firms are mostly based on the notion of shared destiny relations between employee and employer.

German firms are known for the industrial relations system and employment practices based on a cooperative, harmonious, and high-trust nature (Bluhm, 2001; McDonald et al., 2003; Dickman, 2003). The German employment system is mostly known for employers' developmental approach requiring high-skilled labour. This consequently links to a high quality dual vocational training system integrated with the institutional context at the national level. In this system, labour is considered "as a resource rather than as a cost to be minimised" (Ferner and Quintanilla, 1998:716). Skill development is predominantly organised at the industrial level (Hall and Soskice, 2001).

**Table 2.2. The overview table with some of the most-cited studies focusing on Japanese and German multinationals**

Study	Country focus	Method- industry	Findings and implications
Rosenzweig and Nohria 1994	MNCs from Canada, <b>Japan</b> , Europe operating in the US	Questionnaire with 249 US affiliates of foreign MNCs (Canada, Japan, Europe) Several industries including food products, primary and fabricated metals, and electronics	Home-country effect Among others, Japanese subsidiaries showing the least tendency to adopt the US practices, but rather retaining several Japanese practices
Park et al., 2003	<b>Japanese</b> MNCs in the US and Russia	Questionnaire with 52 Japanese MNCs operating in the US and Russia Manufacturing and service industry	Home-country effect Similarity of the Japanese MNCs' HR practices in their subsidiaries located in different countries
Sako, 1994	<b>Japanese</b> MNCs in the UK and Germany	Case study with 14 MNCs (8 in the UK, and 6 in Germany) The electronics and electrical machinery industry	Home-country effect in retaining the training philosophy (on-the-job training, in-house training courses, and internal promotion) Modification of training practices to local national situations (e.g. use of apprenticeships and vocational qualifications)
Elger and Smith, 2005	<b>Japanese</b> MNCs in the UK	Case study with 5 Japanese MNCs in the UK (wholly-owned and joint venture) Manufacturing industry (office equipment, complex car components, computers, plastic parts and assemblies, printed circuit boards)	Home-country effect Avoiding union recognition Management-worker relations mediated by informal bargaining within firms
Purcell et al., 1999	<b>Japanese</b> MNCs in Australia	Questionnaire with 69 Japanese subsidiaries Manufacturing and service (financial, tourism, trading) sectors	Home-country effect Adopting the organisational practices of the HQ in Japan
Tung, 1982:	The US, West European, and	Questionnaire and in-depth interviews	Executive staffing practices - ethnocentrism

1984	<b>Japanese</b> MNCs in Western and Eastern Europe, Canada, Australia, Latin and South America, Africa, Far/Middle/Near East, and the US	Several industries including financial institutions, general trading companies, and manufacturers of industrial and consumer products	Japanese MNCs' extensive use of home-country nationals in their top and middle management positions in all their foreign operations
Kopp, 1994	The US, European, and <b>Japanese</b> MNCs operating in Europe (France, Germany, Italy, Switzerland, the UK, the Netherlands), Japan, and the US	Questionnaire Manufacturing and service industry	Executive staffing practices- ethnocentrism Japanese MNCs having more ethnocentric staffing practices and policies when compared with other MNCs
Harzing, 2001	MNCs from <b>Japan</b> , Europe, the US operating in Scandinavia, Western and Eastern Europe, Canada, Australia, Latin America, Africa, Far and Middle East	Mail survey with 239 firms from 23 different industries in manufacturing and service (food, electronics, metal products, banking, insurance agents, etc.)	Executive staffing practices- ethnocentrism Japanese firms' use of high level of expatriates in their oversea operations
Oliver and Wilkinson, 1992	<b>Japanese</b> MNCs in the UK	Case study with 3 firms Manufacturing (car, machine-tool, mining equipment, electric)	Home-country effect Japanese firms bringing their home-country practices (e.g. highly selective recruitment, long-term employment for core workers) Union avoidance strategy or adopting single-union deals where unions play collaborative role rather than adversarial role
Ferner et al., 2001	<b>German</b> MNCs in the UK and Spain	Case-study In-depth semi-structured interviews in 46 subsidiaries belonging to 36 German MNCs (40 in the UK and 6 in Spain) Industry: manufacturing sector (chemicals-	Heterogeneous home-country effect Existence of the German business system (a long-termist orientation, a management approach of cooperation) Mixing the Anglo-Saxon practices with these German characteristics

		pharmaceuticals and engineering); leisure, metal products	
Dickmann, 2003	<b>German</b> MNCs in the UK and Spain	Case-study with 6 German MNCs (3 in Banking, 2 in engineering, 1 in chemicals industry)	Heterogeneous home-country effect Selective transfer of the home-country practices (willing to transfer training practices but less willing to transfer industrial relations approach)
Dorrenbacher, 2004	<b>German</b> MNCs in Hungary	Case-study 13 German MNCs in Hungary Several industries (service-software and manufacturing sector including the electrical, motor, machine construction, metal production, food, beverage, and tobacco)	Heterogeneous home-country effect Strong host-country influences on labour relations (deviation from the German model of labour relations)
Beaumont et al., 1990	<b>German</b> MNCs in the UK	Questionnaire with 232 firms Industry: 58% in manufacturing (predominantly the engineering industry)	A high degree of non-unionism Low incidence of German-style employee involvement practices
Guest and Hoque, 1996	American, Japanese, and <b>German</b> MNCs in the UK	Questionnaire with 393 firms 104 UK-owned firms; 25 American, 34 Japanese, and 14 German; 12 others Manufacturing industry	German MNCs strongly differ from the stereotype of German practices (poorer HRM and industrial relations outcomes) Relatively little influence of the German HQs on their subsidiaries

Given their unique characteristics, the question is to what extent Japanese and German firms preserve their 'Japaneseness' (Ferner, 1997) and 'Germanness' (Dauch, 1993 cited in Jurgen, 1998) when they operate in a new country context. Existing studies on Japanese MNCs predominantly show the on-going existence of Japaneseness- i.e. the influence of national ownership in Japanese MNCs (e.g. Ferner, 1997; Elger and Smith, 2005; Oliver and Wilkinson, 1992). For example, the study by Rosenzweig and Nohria (1994) among MNCs from Canada, Japan, and Europe operating in the US found that Japanese subsidiaries showed the least tendency to adopt the US practices, but rather retained their home-country characteristics to a great extent. Similarly, Park et al. (2003) found strong similarities in HR practices among Japanese MNCs in the US and Russia.

The key elements prominent in the literature regarding Japanese MNCs can be listed as union avoidance, extensive use of expatriates from the home country, and adoption of the home-country training practices. The study by Elger and Smith (2005) with Japanese MNCs in the UK provides evidence for the firms' avoidance of union recognition and the firms' reluctance for establishing alternative mechanisms for worker consultation. Management-worker relations are instead mediated by informal bargaining within firms. Purcell et al. (1999) found a similar pattern regarding union avoidance among Japanese MNCs in Australia. The study did not refer to any evidence in terms of the Japanese-style enterprise unions but the finding showed a strong attempt of the MNCs to reduce the number of intra-company unions and to establish non-union company-based representatives. Union avoidance may be an important indicator for Japanese firms' home country feature but it is also related to the nature of the institutional context of the host country. Sako's (1994) study with Japanese MNCs in the UK and Germany provided evidence regarding a higher union recognition in the majority of the MNCs in Germany when compared to those in the UK. The highly regulated industrial relations system of Germany as opposed to the relatively flexible industrial context of the UK may be one major reason for this outcome.

As emphasised in several studies, Japanese firms are known for their ethnocentric staffing practices and policies through assigning expatriates from the home country (e.g. Tung, 1984; Kopp, 1994; Harzing, 2001). Saka's (2002) study on three Japanese MNCs in the UK automotive industry provides evidence on centralisation approach of the HQ in the form of heavy involvement of Japanese expatriates in technological and financial decisions. This is also confirmed by Whitley et al. (2003). Their interview with managers of Japanese manufacturing and financial services in the UK and Japan showed evidence of centralisation in product development, finance and other strategic roles, and assignment of expatriate

managers as the coordinators between the subsidiary and HQ to achieve the control in the subsidiaries. Elger and Smith (2005) conducting the case study with Japanese MNCs in the UK also found the dominance of Japanese managers in planning and technical functions while the assignment of British managers to daily operational tasks.

Training and development are other areas where Japanese MNCs reveal the home-country characteristics (see Purcell et al., 1999). The study by Vo and Hannif (2012) focusing on training and development of local managers in Japanese manufacturing firms in Vietnam provides evidence of a strong home-country effect. For example, the training programme is based on a comprehensive on-the-job training model, job rotation in production lines, broad foundational training, and narrow specialties as an outcome of 'generalist career approach'. Employee learning is mostly achieved through the assistance and supervision of an experienced and senior employee. Employees are encouraged to identify themselves within the corporation by internalising the company's philosophy. Sako's (1994:96) study with Japanese MNCs in the UK and Germany also proved the existence of the home-country effect to some extent in the sense of offering extensive in-firm tailor-made training courses, adopting in-house courses developed at the HQs in Japan, and sending supervisory and technician workers for training to Japan. The study exploring the influence of external regulation in each country on skill formation, however, found different responses of the Japanese firms. This is basically connected to the firms' adaptation to the national training regulation of the host country when it concerns the training of apprentices in the technical field. In Germany, for example, the firms deal with a rigid qualification system. On the other hand, in the UK, "unavailability of master-like people who can take on both supervisory and technical roles results in a dilemma for the Japanese firms" to train the employees to make them become a master or to rely on the outcome of the British skills system (*ibid*:105).

Dedoussis (1995) suggests that economic considerations have a substantial influence on Japanese firms' decision of the transfer, resulting in a selective transfer by providing evidence from Japanese manufacturing firms in Australia. This study by Dedoussis (1995) shows that high-cost practices such as tenured employment, seniority-based payment, and the provision of extensive welfare benefits are the ones mostly not transferred to the overseas subsidiaries. On the contrary, low-cost practices such as internal-training, internal promotion and job rotation are more likely to be transferred. The study by Morris et al. (2000) focusing on Japanese manufacturing plants in the UK also illustrates the Japanese firms' 'partial transfer'. It shows that the firms transferred careful selection (longer and more involved than the common practice of the UK context) and personal appraisal tools. But lifetime

employment and extensive company welfare benefits were not transferred. Nevertheless, the findings show that the Japanese firms rarely applied plant-closure and employee lay-off in economic depression times when compared to British firms, still promising a high level of job security.

German MNCs were also found to show home country characteristics. In other words, Germanness still exists to some extent such that firms adapt new practices into the distinctive German way (Ferner et al., 2001; Ferner and Varul, 2000). For example, Ferner and Quintanilla (1998) refers to the concept of ‘Anglo-Saxonisation in the German manner’, meaning that firms mix the Anglo-Saxon practices with these German characteristics. However, not all home-country practices are transferred. It appears that German firms tend to be willing to transfer long-term, developmental HR policies and practices to achieve quality, efficiency, control, and coordination (Dickmann, 2003). But they tend to show deviation from the home country practices regarding industrial relations. Empirical evidence of several studies confirms this ‘heterogeneous home-country influence’ (Dorrenbacher, 2004) or as stated by Dickmann (2003:278), the partial desire of German MNCs “to coordinate international HRM around the German model”.

In the sense of the home-country effect in training and skill development, one common practice shared by the majority of German firms is the interest in transferring the German VET approach and building close ties with local vocational schools in the host country. Bluhm (2001), studying German (manufacturing) subsidiaries in Poland and the Czech Republic, states that employment policies and practices of German firms in central Europe are influenced by the home country’s institutional system. The evidence shows the subsidiaries’ particular interest in vocational training and cooperation with vocational schools and that the majority of German subsidiaries in the study sample provided training to apprentices at their German plants. The case of VW is considered to be a remarkable example in terms of the home-country effect (Jurgen, 1998). Before starting production at the new assembly plant in Mexico, VW established its vocational training school (*ibid*). The firm applied the identical training curriculum to the German model of training, and the early trainers in the subsidiary were German. Similar examples were observed in VW plants located in other locations such as Spain and China (*ibid*). The study by Dorrenbacher et al. (2003) on German firms in Hungary shows that the impact of German FDI on HR of the local context emerges in the way of augmenting the skills base of the host country workforce, upgrading knowledge of labour force through further training in the firms, developing closer ties with vocational schools, and offering material support for upgrading the curriculum.

Meardi et al. (2009) also provide evidence through their study conducted with a sample of twelve subsidiaries of German and US companies in the automotive industry in Poland, Slovenia, and Hungary. Their finding shows that when compared to the American MNCs, the German firms invest more in the “development of transferable skills, promote employees’ further education, and establish strong cooperation links with local schools and universities” (*ibid*, 507). But this is different than the practices in Germany where vocational education is embedded in the national institutional setting of cooperation between unions, employers, chambers, and the state. The training and educational practices of the German firms examined in this study are rather company-based and there is not any evidence for the firms’ attempt of creating a similar context to the home-country environment.

Contrary to their motivation to transfer the training practices of the home country, German firms show less willingness in transferring the industrial relations practices but rather show a tendency for non-unionism (Beaumont et al., 1990; Guest and Hoque, 1996). The study by Dorrenbacher et al. (2003) on German manufacturing subsidiaries in Hungary shows that despite their willingness to transfer the German model of production, the same firms are not interested in transferring the highly institutionalised context of labour relations, but they are rather willing to accommodate to the unregulated Hungarian environment. One major indication of the firms’ deviation from the German model of labour relations is the use of temporary workers, frequent overtime and weekend work. Although work councils exist in the Hungarian subsidiaries as a formal requirement in Hungary, which can be considered as similar to the home country, they are nevertheless less powerful than those in Germany. The role of the work councils in Hungary is mostly limited to acting as an information channel between management and the workforce but they do not have any affiliation to employer organisations and provide a strong voice for employees. Similar findings come from the studies by Meardie and Toth (2006), Becker-Ritterspach (2005), and Dickmann (2003). Meardie and Toth (2006) focusing on one German auto-supplier and Italian automaker in Poland show the absence of any attempt by the German firm to replicate the works council model in Germany. German engineers perceive tight control of works council as an obstacle to flexibility, efficiency, and best practice development. This suggests that, if they have the option, they do not prefer applying the German model. Meardie and Toth (2006) provide similar evidence from a survey of 2003 with the US and German MNCs in the Polish automotive industry. They show that German firms tend to shift away from the classic German model when they have the option. Becker-Ritterspach’s (2005) case study of a German luxury automobile subsidiary in India shows that instead of forcing the replication of

German labour relations, the German managers were open to accepting local institutional solutions. Similarly, Dickmann's (2003) study with German MNCs in Spain and the UK to examine transfer desirability of German MNCs also shows that none of the six companies included in the study shows a willingness to transfer the German industrial relations approach but they prefer enjoying managerial privilege (control) over co-determination.

In summary, the empirical evidence in the literature confirms that Germanness and Japaneseness still exist to some extent. However, transfer of the home country practices is not a straightforward process but rather results in firms' selective transfer and adaptation of the practices to the host country context. Based on the findings in the literature, it is argued that the interplay of two major conditions predominantly shapes firms' behaviours in the host country. First, it is the pragmatic approach of the firms encompassing economic consideration (high- vs low-cost practices) and achievement of quality, efficiency, and control that determine their decisions. Second, it is the regulation degree of the host country's institutional setting that is influential on MNCs' behaviours. The existence of these different conditions highlights the need to understand firms' motivation to transfer particular practices and circumstances of the host country context allowing the transfer or offering better opportunities.

#### **2.4. Conclusion**

This chapter examined the influences on MNCs' behaviours in a host country environment. In this respect, one major line of debate is that MNCs have become more globalised and subsequently less dependent on national institutions. The other line of debate, supported by empirical evidence, is that characteristics of the home country still matter even in a globalised world promoting convergence of MNCs' practices. However, several factors such as industry, company size, and production model play mediating role on home country effect. It is also seen in this chapter that complex nature of MNCs requires a comprehensive analysis covering their embeddedness in different country contexts (home and host country) and organisational context. One important warning standing out in the chapter is that MNCs should not be assumed to survive in a completely rational environment but they are formed of actors at the individual and organisational level that have diverse and sometimes conflicting goals and interests. Therefore, the focus of MNC-related research should not be limited to national and organisational level analysis but it should also consider politics at different levels addressing the influential role of actors shaping MNCs' decisions and behaviours.

The third section of the chapter introduced the evidence from the studies focusing on German and Japanese MNCs in different host country environments. This section was a good continuation of the second section in the sense that it introduced the specific examples showing the implication of the home-country effect for specific practices in MNCs. Based on the empirical evidence presented in the literature, the argument would be that neither German nor Japanese firms are insistent on carrying the home-country approach but they rather act in a selective manner in transferring practices from home, adopting the local practices, or alternatively developing a hybrid model of practices. Nevertheless, when compared with German MNCs, the evidence from the literature suggests that Japanese MNCs display more tendency to bring their home-country characteristics and control subsidiaries through expatriates mostly assigned to managerial positions. This may be associated with differences in institutional settings of the home countries as well as different production systems of the MNCs, or other factors. The empirical chapters of this research will provide deeper insight in this respect.

## **Chapter 3- National Skill Systems: A Comparative Analysis of Vocational Education and Training in Germany, Japan, and Turkey**

### **3.1. Introduction**

Vocational education and training (VET) is defined as “education and training which aims to equip people with knowledge, know-how, skill, and/or competences required in particular occupations or more broadly on the labour market” (CEDEFOP, 2008:202). VET’s nature is, therefore, different from that of general education such that the curricula of vocational schools are primarily shaped to meet the demand of employers in specific industries.

As often emphasised in the literature, not all countries follow the same approach to equip people with the skills required in the labour market and to increase these people’s employability (see Thelen, 2004; Hall and Soskice, 2001). Countries adopt different approaches in accordance with the conditions and requirements of their different institutional contexts. Some countries (e.g. Germany and Austria) build a collective skill system integrated with the wider institutional environment including labour market, industrial relations system, and the dominant production system and product model (e.g. producing quality and innovative products) (see Busemeyer and Trampsuch, 2012). Yet, some other countries (e.g. the US) leave the governance of the skill system to the market in which employers and individuals follow their own agenda in skill development.

Given these different approaches of countries, the aim of this chapter is to conduct a comparative analysis of VET in Germany, Japan, and Turkey. Germany and Japan are known as prominent countries in terms of employers’ substantial investment in their workers’ skills (Thelen and Kume, 2001). Besides, they are two discrete examples in terms of the vocational skill system. In Germany, skill formation is organised at the national level, whereas it is firm-based in Japan (*ibid*). In addition, these countries and Turkey are deliberately chosen for analysis because the research examines the engagement of one German and one Japanese MNC and one Turkish firm with the Turkish VET system. Therefore, this chapter aims to provide insight into the characteristics of the skill system of the home and host countries for the selected MNCs and to examine the clash of these different country systems to understand how it affects firms’ behaviours in different institutional contexts.

The structure of the chapter is as follows. The first section explores the debate on the varieties of skill regimes and presents different approaches in classifying different countries’ skill systems. This is important to understand in what aspects countries are similar and different in terms of skill formation and how the literature conceptualises these similarities

and differences. The second section examines the characteristics of the VET systems in Germany, Japan, and Turkey. The section presents a comparative analysis of the skill systems in these countries on the basis of several themes including governance and financing of VET, skill specificity, and status of the VET system. Based on this analysis, the third section focuses on the implication of countries' different systems on firms' behaviours, including MNCs and local firms by examining the transfer of German and Japanese skill systems.

### **3.2. Varieties of skill regimes**

There has been substantial effort but also different approaches in the literature to understand different country systems in organising their economic activities. This large body of literature on comparative capitalism including the Varieties of Capitalism (VoC) literature (see Hall and Soskice, 2001) and National Business System (NBS) theory (see Whitley, 1999) compares and classifies countries according to their national configurations and firm-level practices, which also concerns the embeddedness of skill systems in the wider institutional context of countries.

A well-known distinction in the VoC literature is the dichotomous classification of countries as the liberal market economy (LME) and coordinated market economy (CME). Focusing on the perspective of firms, Hall and Soskice (2001) employ five domains to understand firms' relationship with other actors. These domains are identified as industrial relations, VET, corporate governance, inter-firm relations, and relations with employees. As this thesis focuses on skill-related issues, the other domains are not covered in this section. In LMEs, the skill system mostly generates general skills that are portable across different countries and industries. The skill system of CMEs, on the other hand, tends to produce industry- or firm-specific skills. The binary typology on LMEs and CMEs as representative of two opposite types of national training systems may be helpful for a 'helicopter' view to evaluate countries' skill systems and to compare and contrast their characteristics. Nevertheless, Bosch and Charest (2008) warn that due to their static nature, such typologies may not explain the dynamics of different systems. Besides, it is important to consider country-specific differences and explore whether all countries categorized within CMEs or LMEs display similar characteristics and tendencies in terms of the skill system. Considering the difference within CMEs, Thelen (2004) differentiates CMEs as collectivist and segmentalist countries. The characteristics of collectivist countries such as Germany include the collective involvement of stakeholders in training and the production of occupational skills (Thelen and

Bussemeyer, 2008). In this context, stakeholders jointly determine the skill standards and guarantee its enforcement at the national level (*ibid*). Segmentalist country systems, on the other hand, are characterised by the production of company-specific skills. In this form of a system, “individual employers attempt to shield themselves from competition over labour by erecting barriers to the outside labour market” (Thelen, 2001:81). This also encompasses several measures such as internal career ladders, seniority wages, and company-based training (*ibid*). Anderson and Hassel (2008) also criticise the VoC theory due to its predominant emphasis on similarities rather than differences within CMEs and LMEs. They focus on the different characteristics of the CME countries and distinguish three distinct skill regimes in CMEs in terms of primary place of skill acquisition: segmentalist (firm-based), integrationist (school-based occupational), and differentiated (workplace-based occupational), e.g. Japan, Sweden, and Germany, respectively.

Levy (2006:22-23) acknowledges that the VoC theory of Hall and Soskice (2001) provides several contributions. For example, it unpacks the concept of the Germanic CME and shows how a highly regulated and organised institutional context can serve both employers and employees, and strengthen business development (*ibid*). But Levy (2006) argues that Hall and Soskice’s VoC theory downplays the role of the state by eliminating the statist category from their typology, and therefore reducing the number of categories to two as CME and LME. In particular, the inadequate analysis of two countries, namely, Japan and France, reveals the problematic aspect of this theory regarding the state’s role. Hall and Soskice categorise Japan as CME due to its *keiretsu*-based characteristics encompassing networks of business associations and relational subcontracting (*ibid*). However, the theory ignores the important role of the related ministries and decision-makers (Levy, 2006). Moreover, countries like France that have a statist tradition are not included in these categories, but left in ‘typological purgatory’<sup>3</sup>. Levy (2006) draws attention to these missing points and suggests three main varieties of capitalism as liberalism, corporatism, and statism.

Bussemeyer (2009) criticises the dichotomous distinction between general and specific skill systems associated with LME and CME systems, respectively. As a response, he suggests a matrix model with two separate dimensions to cover a variety of skill regimes by building on the distinction of Anderson and Hassel (2008). These dimensions are firms’ involvement in skill formation defined as superficial and deep, and vocational specificity of the education

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<sup>3</sup> “Although Hall and Soskice refer to the possibility of a third category ‘Mediterranean type of capitalism’ including the countries of France, Italy, Spain, Portugal, Greece and Turkey, the features of this category are not elaborated in any kind of systematic way, like the CME and LME ideal types” (Levy, 2006:397).

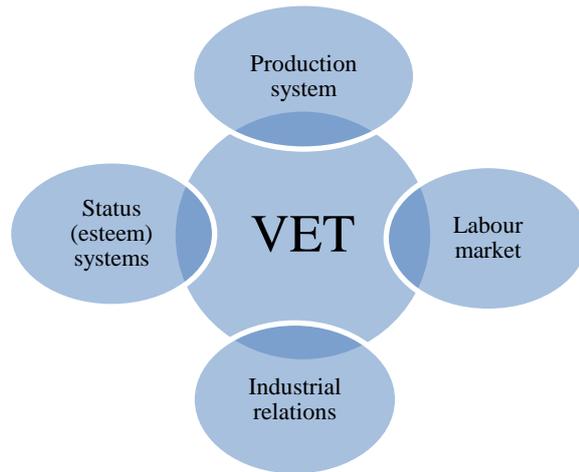
system defined as high and low specificity that consequently enables or disables the portability of skill (Table 3.1). The argument of Busemeyer (2009) is that countries' skill systems differ with regard to their mechanisms for certification of vocational skills as well as to what extent firms are deeply involved in the process of skill formation (*ibid*, 386). Busemeyer's classification of skill regimes contributes to the VoC literature especially because it captures the important differences between CME countries' skill systems.

**Table 3.1. Variety of countries' skill regimes**

		<b>Firm involvement in skill formation</b>	
		<b>superficial</b>	<b>deep</b>
<b>Vocational specificity of education system</b>	<b>low</b>	General (USA)	Firm-based (Japan)
	<b>high</b>	School-based/ occupational (Sweden)	Workplace based/ occupational (Germany)

*Source:* adapted from Busemeyer (2009)

Another contribution that places skill development in the wider institutional context of countries is the work on NBS emphasising the embeddedness of skill systems. NBS is defined as “a set of interlocking structures and institutions in different spheres of economic and social life that combine to create a nationally distinct pattern of organising economic activity” (Whitley, 1999 cited in Edwards and Kuruvilla, 2005:9). According to Whitley (1999), the skill development and control system that is defined to be the ways of acquisition, certification, and organisation of practical skills is considered as one of the key institutional features structuring business systems. Similarly, Bosch and Charest (2008) suggest that VET is embedded in the status system, the country-specific configuration of production, labour market, and industrial relations (Figure 3.1). VET has different status in CMEs and LMEs (Bosch and Charest, 2008). In LMEs, VET tends to have lower status whereas, in CMEs, it is mostly treated as an important source of qualified labour and innovation. However, it is still important to remember the differences within CMEs. For example, VET does not have the same status in Germany and Japan, which is elaborated in the second section of the chapter.



Source: adapted from Bosch and Charest (2008)

### Figure 3.1. Embeddedness of VET in a national context

The production system of a country is another important driving force that influences the skill system. One well-known example is the German model of Diversified Quality Production (DQP). Thelen and Busemeyer (2012:69) highlight “‘forced and facilitated’ German firms’ pursuit of high quality, high wage, and high-value-added production” as a requirement of this model. This, in turn, shapes the quality requirements for skills system and nationally standardized occupational profiles (*ibid*).

The characteristics of a country’s labour market and industrial relations are other key factors that deserve consideration. The distinction between occupational labour markets (OLM) and internal labour markets (ILM) provides insight into the link between labour markets and skill systems in different country contexts (see Rubery and Grimshaw, 2003). In OLM, nationally recognized occupational qualifications are created according to the industry-specific skill needs. The skill system, including an established apprenticeship system, is generally regulated and coordinated by social partners. In ILM, on the other hand, firms are responsible to design training programmes according to their firm-specific needs. For example, in Japan, a highly regulated ILM model can be visible in large firms leading to internal advancement for all employees. On the other hand, in Germany, strong OLM principles in the form of apprenticeship exist across firms while strong ILM principles can still be observed within the firms in the form of internal promotion opportunities for workers.

Another important point to consider regarding the labour market is the labour market outcomes that concern the transition from school to work and subsequently the jobs available

for VET graduates, and employers' approach to the training of newcomers and skill certificates (see Allmendinger, 1989; Rubery and Grimshaw, 2003). One would expect that VET graduates having recognised occupational qualifications experience a smoother transition from school to work and have better job opportunities matching with their skills. However, this is not likely to be generalizable across all labour markets. It is essential to consider different country contexts. The countries with highly stratified school systems (e.g. Germany) have the educational systems closely linked to the qualification system (Allmendinger, 1989). In such countries that can be also considered as OLM countries, employers mostly rely on information given by standardised vocational certificates. Therefore they do not need to train employees entering the labour force from scratch but rather building on their prior knowledge (*ibid*). The expected outcome in this context is the smooth transition from school to work, not requiring 'repeated job shifts to achieve a good match' (*ibid*, 239) and more job mobility of qualified workers across firms (Rubery and Grimshaw, 2003). The countries with relatively more unstratified school systems (e.g. the US) have a loose coupling between educational attainment and labour market outcome (Allmendinger, 1989). The expected outcome for VET graduates in this context is a less smooth transition from school to work and restricted job mobility across firms. Employers mostly do not rely on the certificates generated by these unstratified school systems. They train the newcomers from scratch in accordance with their specific needs. In summary, considering the VET graduates of the countries having stratified or unstratified schooling systems, it is argued that the graduates of the former system have more and perhaps better job opportunities when compared to the graduates of the latter system. But, as emphasised by Rubery and Grimshaw (2003:111), rather than attempting "to fit countries too neatly into one or other abstract models", it is necessary to consider the complexities of country-specific approaches to the integration of education and employment and labour outcomes of VET graduates in these different contexts.

Regarding the connection of the industrial relations and skill systems, the role of trade unions and employer associations is important. For example, in LMEs such as the US, the decentralised system of industrial relations does not encourage social actors' involvement in the apprenticeship system (Bosch and Charest, 2008). On the contrary, collective action of industrial actors in CMEs is expected to guarantee a coordinated skill system. In the countries such as Germany, trade unions and employer associations play an active role in the planning of the system including the process of VET delivery and qualification of skills. In this way, they ensure the development of occupational skills portable across the industry. Japan is also

categorised in the CME model. However, it has a different type of industrial relations in which enterprise-based unionism characterises the relationship between labour and management. This consequently is expected to result in a weaker role of industrial actors in shaping national skill system but rather fostering in-firm skill strategies. These institutional elements leading to different characteristics of countries confirm the need to develop more hybrid forms rather than neatly organised country clusters (Bosch and Charest, 2009).

### 3.3. Germany, Japan, Turkey: Three different skill systems

This section introduces a comparative analysis of three countries: Japan, Germany, and Turkey. These countries are selected purposefully to examine the characteristics of the home countries (Germany, Japan) and the host country (Turkey) and to assess their implications for firms' behaviours. The countries' skill systems are analysed within the framework of five dimensions derived from the literature (Table 3.2).

**Table 3.2. Varieties of skill systems in the three focused countries**

	<b>Germany</b>	<b>Japan</b>	<b>Turkey</b>
<b>Governance &amp; financing of training</b>	Collective and coordinated system & Shared responsibility of firms and the state in funding	Employer-led governance & Firms' sponsorship	State-led governance & State sponsored
<b>Primary place of vocational training</b>	Dual system (Combination of workplace-based and school-based VET)	Firm-based training	School-based VET
<b>VET status (national system)</b>	Strong	Weak	Weak
<b>Skill specificity</b>	Industry-specific (Portable occupational skills)	Firm-specific skills (built on general skills)	Tendency towards industry-specific skills
<b>Transition from school to work</b>	Smooth	Smooth	Challenging

The governance and financing of VET refer to the specific roles of social partners (e.g. the state, employers, and unions) in decision-making in the design and delivery of the VET system, and in sponsoring the system. The state, in particular, may play different roles in training and development in different countries (Houwing et al., 2011) and is cited as the key ‘transformative agency’ (Lloyd and Payne, 2004). In this respect, Ashton and Green (1996:190) highlight the conflict and power relations operating within the state but also the existence of ‘workable consensus’ between the ruling political elite and leading employers. The motivation of employers to invest in the skill system is another important issue that needs attention regarding financing of the VET. According to Whitley (1999:62), “the combination of a strong national vocational training system and high job security is particularly conducive to cumulative investments in skills on both a formal and informal basis”. This suggests that employers’ motivation can be linked to the level of employment protection and risk of skill poaching. High employment protection is expected to result in less skill poaching risk for employers and therefore more motivation for investment in employee skills.

The second dimension, the primary place of vocational training, refers to the place where individuals acquire vocational skills. The main distinction employed in this chapter is the school-based and workplace-based training. The former means that individuals mostly acquire the required vocational skills by enrolling in an educational institution (high school, university, and training centre) that is officially regulated through the state acts. Workplace-based training, on the other hand, means that people acquire the required skills in a firm.

VET status, the third dimension, refers to an overall position of VET in the education system as well as its perception in the society. In some countries such as Germany, it may have a superior position as compared to general education and provide more opportunities in the sense of employability. This consequently encourages students and parents to consider the VET path. On the other hand, in some other countries such as the US, VET may have an inferior status such that individuals tend to choose this path as a last resort if they cannot succeed in general education. In such a case, VET becomes an option that ‘loser students’ of the education system choose.

The fourth dimension is skill specificity. This refers to the dominance of industry-specific or firm-specific skill. In a context where industry-specific skills dominate the labour market, collective action of industry actors (employers, unions) and the state is expected to define the standards and qualifications of particular skills in each industry. This also suggests the existence of a well-established certification system recognised by all social partners. Firm-

specific skills' dominance in the labour market, on the other hand, refers to the autonomy of individual firms to shape the skills in accordance with their needs.

The last dimension in Table 3.2 is the transition from school to work. Two inter-related issues are used to assess the transition of individuals: the effect of vocational education on increasing the chance of employability and employers' satisfaction in the post-employment period, that is, the graduates of the VET system and their employment process. At this point, the major issue that several countries struggle with is the concept of 'skill mismatch' that basically means that the skills supplied by the national skill system mostly do not match the requirements of employers (industry).

Before further discussion, it should be noted that these different dimensions discussed above are not independent but they are closely linked to each other, which concerns the 'system effect'. For example, the strong industrial relations system and social partnership in Germany classified as an OLM type model supports the skill system organised at the industry level and strong VET status. On the other hand, Japan classified as an ILM model has a strong enterprise unionism and firm-based skill system. Such a context consequently supports the generation of firm-specific skills. The following section will elaborate these two countries' institutional environments resulting in the different dimensions displayed in Table 3.2.

### **3.3.1. Germany**

#### **3.3.1.1. Governance and financing**

The German skill system is historically defined as a collective and coordinated system (Thelen and Busemeyer, 2008). It is a strongly regulated system shaped by the joint decision of employers, trade unions and public authorities (Anderson and Hassel 2008). In other words, the system has private-public duality in the governance structure that means partnership among the social partners (the state, unions, employers, chambers) in the design and provision of the system and skill certification (Solga et al 2014; Hoeckel and Schwartz, 2010). In this partnership, firms are financial sponsors of the skill formation at the workplace while the state controls the training process by executing regulations, assigning employer chambers to monitor the process, and funding the off-site schooling (Brown et al., 2001; Thelen, 2007). The state also monitors the enforcement of collectively defined standards and subsidises the provision of portable skills (Thelen and Busemeyer, 2008). Regarding this, the argument is that the role of the state has been changed from "neutral broker and facilitator" between business and labour to more actively involved initiator and reformer" (*ibid*, 23). The

chambers have the responsibility of administrating final exams of VET students. In addition to the active role of employers and public authorities, unions having a strong voice play an important role in skill formation process (Rubery and Grimshaw, 2003; Graf, 2013). They strongly support vocational training by collaborating with firms in terms of the development of the workplace training programmes. Social partnership at the industry level as well as national level also enables the effective coordination across all employers in the industry (coordination of wage and definition and certification of skills). At the firm-level, a wide-range of firms participates in and supports the skill formation system. In doing this, the main aim is to maintain the national standards in terms of content and quality and to generate transferable occupational skills. However, this does not mean that all firms have to provide the same type of training. For instance, large firms predominantly provide off-the-job training in a particular training centre while small sized firms prefer on-the-job training (Thelen 2007). In addition, the existence of a strong legal framework provides a crucial support for the German system (Rubery and Grimshaw, 2003).

Regarding the funding of the system, the state governments (*landers*) and employers share the cost of vocational training (Solga et al., 2004). Employers cover the costs of firm-based training including the cost of training staff and equipment while the state governments cover the costs of school-based components including the salary of teachers (*ibid*). In addition, they pay the wages apprentices (*ibid*). Apprentice wage is calculated as one-third of the starting salary for a trained skilled worker and it is regulated in separate collective agreements between social partners (Anderson and Hassel 2008; Hummelsheim and Baur 2014). Workers also support the system indirectly by accepting a lower payment during the training process (Rubery and Grimshaw, 2003).

An important issue regarding the financing of VET is firms' motivation to invest in training. In this respect, the German skill system is defined to be a voluntarist system in which firms are not forced to train people (Anderson and Hassel 2008). But it is necessary to avoid the assumption that large and small firms adopt similar approaches towards investment in training. The training motivation of large and high productivity firms is mostly based on utilisation of high-skilled employees to meet the need of productivity and quality production and to generate a pool of skilled people (*ibid*). On the other hand, the motivation of small and artisan firms is characterised by utilising the cheap labour (*ibid*). Acemoglu and Pichke (1998, 1999) explain why employers in countries such as Germany want to engage in a nationally standardized training system by stressing the concept of 'labour market imperfection'. It means that in such countries, firms cannot compete through offering higher

wages to employees as wage bargaining is coordinated collectively. This reduces the risk of skill poaching by offering a higher wage to skilled employees and consequently fosters firms' motivation to invest in training. Regarding the collectivist and voluntarist nature of the German skill system, however, Thelen and Busemeyer (2008) claim the deterioration of collectivism and decline in participation rates of firms in training. They state that the decentralisation of collective wage bargaining and liberalisation of labour markets loosen the close link between vocational training and collective bargaining and strengthen the firm-specific components in vocational training. In this context, firms tend to be less voluntarist in contributing to the national skill system and more motivated to train only for their own needs (*ibid*).

### **3.3.1.2. Primary place of vocational training**

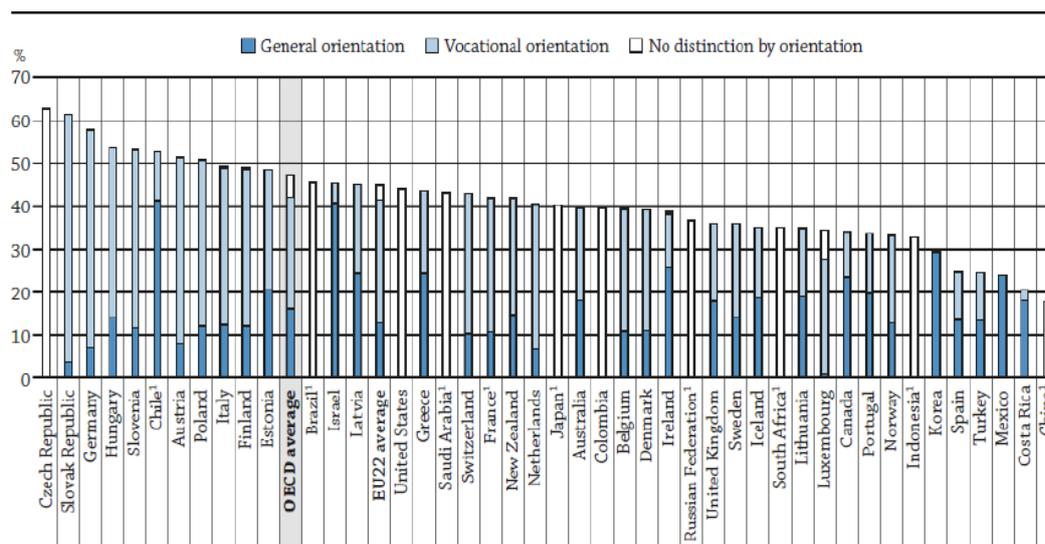
Individuals mostly acquire vocational skills through a dual system combining school-based vocational education with in-firm vocational training and lasting for three years (Solga et al., 2014). This system is widely known and associated with Germany in the international VET literature. The system is often praised due to its major characteristic of a duality in theoretical and practical knowledge acquired in vocational schools and workplaces (*ibid*). In this system, the school and the company collectively organise VET on theories and practice in parallel (Terada, 2012). Germany's legal framework also supports the system and achieves standardisation of skill formation through vocational training acts having the content of "the general conditions of vocational training, the duties and rights of apprentices and training firms, the recognition of training, financial aspects, duration and curriculum, and examination requirements" (Solga et al 2014:21). Powell et al. (2012) therefore speak of a highly institutionalized and standardised VET system in Germany. Regarding the standardisation of training, one important issue is the generation of transferable vocational skills and maintaining the national standards in terms of the content and quality (Thelen 2007). Firms are expected to comply with national standards but they are still flexible in terms of organising in-plant training. For example, large firms provide off-the-job training in a particular centre to apprentices while small-sized firms directly involve apprentices in the workplace by offering them on-the-job training facilities (*ibid*).

Although Germany's VET system is formed of a combination of school-based education and in-firm training, it can be argued that firm-based training dominates the system as between three and four days of the week are allocated for firm-based training (60-80% of the training

time) (Solga et al., 2014). In terms of the level of firm participation in training, Solga et al (2014) highlight the market-driven nature of the firm-based dual system and state that it is highly competitive like the normal labour market. Training places offered by firms are limited compared to the higher demand of youth searching for training (Hummelsheim and Baur, 2014; Thelen, 2007). According to the report of BIBB, “it is often believed that almost all German firms participate in training. This is definitely not the case... Only 56 percent of firms are authorized to provide firm-based VET programmes. Of these, only 54 percent actively trained young people in 2011. In total, only 25 percent of German firms employed at least one apprentice in 2011” (BIBB 2013: 221 in Solga et al 2014:8). As mentioned earlier, Thelen and Busemeyer (2008) point out the decreasing involvement of firms in vocational training. “The overall share of firms participating in apprenticeship training regardless of firm size and the economic sector has decreased significantly from 35 percent in 1993 to 26 percent in 2006” (*ibid*:9-10). Nevertheless, Thelen and Busemeyer (2008) warn that it is the small firms that mainly cause the overall decrease in training participation while large firms’ support has stayed constant or even increased.

### **3.3.1.3. VET status**

Contrary to LMEs (e.g. the US and UK), in Germany, ‘academic education’ is not necessarily associated with ‘high status’, and similarly ‘vocational education’ is not associated with ‘lower status’ (Phillips and Ochs, 2003). On the contrary, the ‘vocational principle’ (*Berufsprinzip*) is known as the basis of the German skill system (Powell and Solga, 2011). Wagner (1999) points out the contribution of the vocational training system to Germany’s comparative advantage in quality production. This system has a priority status on the national policy agenda. Training under VET is acknowledged as an important source of “innovative strength and competitiveness” (Hippah-Schneider et al., 2009:13). In this system, apprentices are perceived as ‘quasi-employees’, rather than the academic losers choosing VET as the last resort (Powell and Solga, 2011; Powell et al., 2012). In accordance with this, VET has a major role and strong status in the German education system. According to the OECD indicators in 2014, the enrolment rate in upper secondary vocational education in Germany is 48% that is slightly higher than the OECD average (44%) (OECD, 2016a). Moreover, Germany has the third largest proportion (51%) among OECD countries of 25-34 year-olds that have earned a vocational qualification at the upper secondary and post-secondary non-tertiary level as their highest degree (Figure 3.2) (*ibid*).



1. Reference year differs from 2015. Refer to the source table for more details.  
 Countries are ranked in descending order of the percentage of 25-34 year-olds with upper secondary or post-secondary non-tertiary education as highest level of attainment, regardless of the orientation of the programmes.  
 Source: OECD, Table A1.4. See Annex 3 for notes ([www.oecd.org/education/education-at-a-glance-19991487.htm](http://www.oecd.org/education/education-at-a-glance-19991487.htm)).  
 StatLink <http://dx.doi.org/10.1787/888933396593>

**Figure 3.2. Percentage of 25-34 year-olds whose highest level of education is upper-secondary or post-secondary non-tertiary, by programme orientation (2015)**

### 3.3.1.4. Skills specificity

The German VET system is known for its well-organised nature in providing “institutionally defined and nationally recognized, portable occupational skills and standardised skill credentials” (Buechtemann et al., 1993: 109). Accordingly, the system is associated with a ‘specific skill’ regime (Hall and Soskice, 2001; Estevez Abe et al., 2001); and ‘differentiated skill’ regime based on occupational training due to its high level of vocational specificity in the education system (Busemeyer, 2009). Important evidence in this sense would be the joint participation of social partners in designing the curricula for training profiles of more than 300 occupations (*ibid*). In this continuous process, employer associations and trade unions play an important role in devising new occupational profiles and reforming the older ones. This joint effort in organising the skill system enables the achievement of broadly defined industry specific training curricula and promotion of nationally defined standards while discouraging employers to teach narrowly defined firm specific skills (Solga et al., 2014). This high level of standardisation in skill formation and qualification strengthens the position of occupation-specific skills and facilitates transferability of skills across firms. Solga et al. (2014:7) note that this outcome is related to the nature of the German occupational labour

market in which “access to jobs is highly structured by occupational certificates”. It means that there is a close link between specialised training and an individual’s employed area (Pilz et al., 2015). This link is strengthened by the *Berufskonzept*, “a concept of employment and training based on the structural integrity, uniformity and systematic nature of the skills development process” (*ibid*, 81). In this context, both employers and unions reward and benefit from occupation-specific skills in collective bargaining process (Solga et al., 2014; Anderson and Hassel 2008). For employers, the system enables them to tailor skill specification in accordance with their needs. Unions also benefit from the system by linking occupational classifications and wage rates and guaranteeing employment of trainees after completing their apprenticeship (*ibid*).

Although the German system is known for its dominance of occupation-specific skills, in recent years, employers have begun to require broader skills based on theoretical knowledge rather than narrowly specified vocational skills (Thelen, 2007). The firms’ requirement for ‘quicker ways of obtaining qualified skills’, has led them to question the length of skill acquisition through the traditional German apprenticeship system (Lauder et al. 2008). Employers’ concern for the strength and viability of the skill system has compelled policy-makers to develop new reforms to reduce costs and increase flexibility by redesigning apprenticeship occupations for new markets and updating existing qualifications. The state developed the ‘New Vocational Act’ in 2005 (Thelen 2007). Vocational schools’ curricula have been revised with more focus on broad-based core subjects and less focus on a functional specialty. This new form of the VET system has enabled apprentices to acquire broader technical and general skills. Firms have become more flexible in terms of in-firm training by organising employee training on a relatively more ‘modular level’ (Hassel 2007). This implementation is expected to enable changes in skill formation and development practices in line with the changing skill requirements in terms of technology or industry needs while maintaining national quality standards.

### **3.3.1.5. Transition from school to work**

The German VET system is defined to be a ‘great success’ for the labour market (OECD, 2016c), as it is an effective path enabling a smooth transition from school to work as a result of firm-based apprenticeship and consequently fostering employability of individuals (Powell et al., 2012; Hoeckel and Schwartz, 2010). As of 2015, Germany was one of the OECD countries having the lowest unemployment rate for 25-64 year-old adults with a vocational

education at the upper secondary or post-secondary non-tertiary level (the unemployment rate is 4.2% in Germany and 7.7% across the OECD) (OECD, 2016c).

The dual system is credited for a smooth transition from school to work. Solga et al. (2014) state that the system functions as the main entry into the labour market. The majority of school-leavers, in particular, enter the labour market through the dual system (Rubery and Grimshaw, 2003; Anderson and Hassel 2008). From the perspective of employers, it is perceived as an important source of occupational skilled labour for the industrial and service occupations. In 2012, 66 percent of the apprentices stayed at their firms after completing the apprenticeship programme (Solga et al., 2014). Acknowledging the function of the dual system in facilitating the transition to work, Powell et al. (2012) nevertheless warn that this system results in a less smooth transition when compared with the past due to an increase in youth unemployment. Similarly, Busemeyer (2009) argue the existence of less smooth transition due to decentralization of collective bargaining, the decline in union density, and the decrease in firms' offering training place since the 1980s. As earlier mentioned, the changing skill demand of employers is also important in assessments of transitions. Graf (2013) states that the German system is criticised due to the lack of an effective and prompt response to employers' demand shifting towards more general skills. The German skill system is based on a stratified educational system separating academic and vocational training and urging students to choose either academic or vocational path (at an early age) (Busemeyer, 2009). Powell and Solga (2011) argue that this lack of permeability between VET and HE (higher education) is considered to be a barrier against a prompt response to the employers' changing skill demand. This, in turn, may have an adverse effect on the employability of VET graduates.

### **3.3.2. Japan**

#### **3.3.2.1. Governance and financing**

The provision and supervision of the Japanese skill system are assumed to be the shared responsibility of the Ministry of Education, Sports, Culture, Science and Technology (MEXT) and the Ministry of Health, Labour and Welfare (MHLW) (Tsukamoto, 2016). However, unlike the concept *Berufskonzept* in Germany, Japan does not have the "independent and state-endorsed concept of vocational training" (Pilz and Alexander, 2011:269). The Japanese skill system does not have an independent law of vocational education and a consistent system of vocational education from secondary education to

higher education (Terada, 2012). The system is weakly coordinated and co-determined at the national level but rather mostly organised at the firm-level. Even the public authorities are not closely linked to each other in terms of the coordination of skills. The Japanese government ministries (Administration of Education and the Administration Labour) do not have a shared agenda regarding the acquirable academic degrees and vocational qualifications (Terada, 2012). In this context, it is unlikely to achieve the ‘institutionalisation of vocational education’ (*ibid*).

Contrary to the collective system of Germany, the Japanese skill system can be defined as an employer-led model. Employers exert direct influence on vocational training and financially support it while the state rather plays a supplementary role in skill development by subsidizing the private training institutions and in-firm training (Koike, 1997). However, Tsukamoto (2016) highlights the changing role of the state and employers. The state started to play a more active role in the system by taking substantial steps to improve the quality of VET and develop better pathway between vocational schools and employment (*ibid*). After 2003, the two related ministries introduced the ‘Japanese-version dual system’, which is “apparently based on the German model”, to fix the problems regarding ‘the bridge of transition’ from education to employment (Terada, 2012:109). The state recently started working on the development of new policies and establishment of new types of tertiary education institutions in VET- e.g. professional universities focusing on VET, vocational and practical professional courses certified by MEXT, professional high schools (Tsukamoto, 2016). The state’s changing role in the Japanese VET system seems to support the argument of Levy (2006) who highlights the weakness of the VoC approach of Hall and Soskice (2001) and argues that they downplay the role of the state authorities in Japan while classifying it as the CME.

### **3.3.2.2. Primary place of vocational training**

The Japanese training system is known as a strong firm-based system. The public vocational system is fairly weak when compared to general education (Witt, 2014). This, when considered together with the highly firm-specific nature of skills in the Japanese workplace (Dore 2000), entails extensive training for individuals after their employment. “Firms are not only willing but also perceive it as a duty to offer comprehensive training to new recruits” (Pilz and Alexander, 2011:275). But Busemeyer (2009) highlights that firms primarily provide formalized on-the job training for entry-level employees. The firms offer actual skill

formation programmes for those core employees at later stages after ensuring their permanent stay in the firm (*ibid*).

Japanese firms organise skill development through a mixture of on-the-job training (OJT), off-the-job training (offJT), and other different methods including small group activities (Rubery and Grimshaw, 2003). OJT allows employees to learn by doing and acquire job-specific skills. It is commonly assumed that OJT is a form of informal training since it is held in the workplace rather than in a proper classroom. However, in the context of the majority of Japanese firms, it is often conducted through formal channels, which makes it as a specific characteristic of the Japanese firms. The companies arrange planned and scheduled OJT with clear objectives and responsibilities (Dore and Sako, 1989). In large firms, off-JT functions as complementary of OJT and tends to substitute school education (Pilz and Alexander, 2011).

### **3.3.2.3. VET status**

Unlike the situation in Germany, the VET system does not have a special status in Japan. Vocational high schools are perceived as inferior when compared to general education (Lauglo, 1993). These schools are rather chosen by academically poor students as the second choice (Kariya, 1999). The gap in participation between vocational and generalist education has become wider over time. “College enrolment rose by 15.1 % between 1990–2009, while vocational student numbers fell by 19.0 % during the same period (Ministry of Education 2011)”. (Witt, 2014:10). The recent statistics also support this pattern. 20% of students in the senior secondary education choose VET path, and 20% of those choosing VET path go to university (Tsukamoto, 2016). Witt (2014) states that the Japanese VET system has not only a weak image at the national level, but it has also a weaker position at the international level. “For 2009, OECD statistics show 279,434 graduates from vocational and technical programmes at the upper secondary level in Japan less than two-thirds of the number for Germany (441,522), a country with about two-thirds of the population of Japan” (*ibid*:10). Similarly, in 2012, fewer students (23%) than the OECD average (46%) enrolled in VET in Japan at the upper secondary level (OECD-JAPAN, 2015).

### **3.3.2.4. Skills specificity**

Japan displays the characteristics of the internal labour market (ILM) in which employees are associated with their firms rather than with their occupations. Therefore vocational skills are not nationally standardized but often defined as firm specific (Thelen and Busemeyer 2008). Japanese firms prefer to recruit young people with a learning aptitude rather than job specific

competence or experience since it is believed to be easier to train and mould such people in accordance with the Japanese working philosophy (Dore and Sako, 1989; Sako, 1994). Lynch (1994) refers to the quote of one transplant manager in a Japanese automotive firm illustrates the common Japanese approach to recruitment. He says: “*Give us stable and dependable people with good heart, and we can make anything of them*” (*ibid*, 130). It explains why Japanese firms tend to offer intense in-house training to the beginners. Accordingly, the firms do not complain regarding the job-specific skills of new graduates coming from the national education system as they recruit employees with general skills and provide them company-specific training (Crouch et al., 2001).

In addition to the labour market’s characteristics, Japan’s industrial relations system is influential in supporting the firm-specific skill regime. The existence of strong enterprise unions but weak industrial and national unions encourages employers to develop firm-specific training strategies (Busemeyer, 2009). Life-time employment is another factor that encourages firms to invest in skill formation for their employees and employee-employer collaboration in skill development (*ibid*). Unlike the German skill regime, the Japanese regime does not have effective mechanisms for official certification of skills. Although the Ministry of Labour carries out the exams for specific skills and certification for vocational skills, the aim is not to enhance job mobility but rather contribute to the individual satisfaction of employees (Dore and Sako, 1998). Highlighting the changes in recent years, however, Terada (2012) notes that qualification system of vocational education has become more important over time such that several ministries including the MEXT and MHLW attempt to formulate Japanese-version NQF (National Qualification Framework).

### **3.3.2.5. Transition from school to work**

The Japanese skill system is a widely admired system perceived as a major contributor to a smooth transition from education to employment (Pilz and Alexander, 2011). Two issues are addressed as enabling the smooth transition: strong emphasis on the close relationship between schools and employers and flexible company-specific training building on general education delivered in schools. One important characteristic of the Japanese system is the close and long-standing collaboration between high schools and employers in filling vacancies with appropriately qualified individuals (Kariya, 1999; Brinton and Tang, 2010). This collaboration is based on *jisseki kankei* (results-oriented relationship) between schools and employers (Brinton and Tang, 2010). This is a trust-based relationship influencing the

chance of employability of individuals from particular high schools. Rosenbaum and Kariya (1989) define the relationship as a ‘semi-formal employment contract’ between the school and employer. This contract is not formal or written, but it exists between the related parties (*ibid*). By using this informal network with particular schools, employers start searching for the profiles of their candidates from an earlier period. Brinton and Tang (2010) argue that the national context of Japan fosters the close relationship between schools and employers. The stratified education system sorts students into relatively homogenous schools according to the quality of education and distinction of vocational and academic content (*ibid*). This serves as guidance for employers to search for candidates by collaborating with particular schools supplying potential candidates. Regarding this, the argument would be that graduation from a particular school becomes more important than graduation with certain vocational skills to increase employability. The nature of the labour market is also influential in encouraging a bilateral relationship between schools and firms. In the ILM context of Japan, firms offer a position to high-school graduates (*ibid*). Connected with this, the longstanding relationship between employer and (core) employees encourages companies to recruit the best candidates at the entry-level, have careful recruitment and selection process, and offer internal promotion over time. The principle of ‘life-time employment’ is an important driving force for employers in this sense to pay attention to recruitment and investment in training of individuals (OECD (2010)).

Changes in Japan’s institutional context, however, is argued to adversely influence the transition from school to work especially in the sense of school-employer collaboration (Terada, 2012). Regarding these changes, Terada (2012) addresses the fluctuation in lifetime employment principle and employers’ changed recruitment strategy from targeting high-school graduates to college or university graduates. As a response to the weakening transition, the state introduced the ‘Japanese-version dual system’ after 2003 by attempting to align vocational education in high schools and training in companies. The related ministries organised the system between vocational high schools and local companies in about 20 prefectures throughout Japan, which is however yet to become an actual reform of VET (*ibid*).

The second important issue fostering smooth transition is flexible company-specific training building on general education delivered in schools. This is strongly related to recruitment strategies of firms. Recruitment and selection in Japanese companies are mostly based on general knowledge and general attitudinal skills (hard work, perseverance, loyalty) rather than vocational-specific skills that are already acquired through on-the-job training during

employment (*ibid*). In this respect, the Japanese system can be considered as an idiosyncratic system “in which new employees are a blank template that can be shaped to the necessary skills profile in-house” (Pilz and Alexandre, 2011: 269). This suggests that vocational training is not necessarily a prerequisite for newly recruited employees, but it becomes important in later stages in skills acquisition and further training with companies (Kosugi, 2007). The issue of initial skills in employment, therefore, differentiates Japan from other countries such as Germany where the acquisition of vocational skills is a major prerequisite for employment. Due to the lack of vocational skills as pre-requirement in recruitment in Japan, it is also difficult to “attribute a clear employment value to an individual’s school-leaving qualification” (Pilz and Alexandre, 2011:271).

### **3.3.3. Turkey**

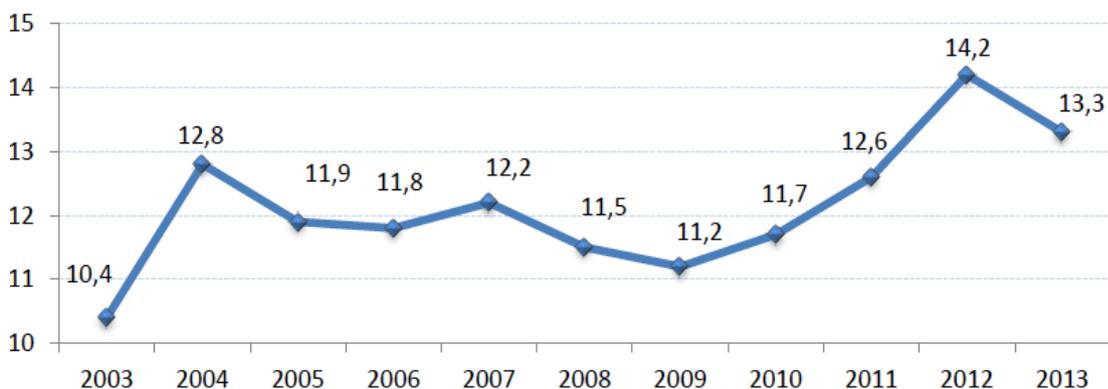
#### **3.3.3.1. Governance and financing**

The Turkish education system is known as having a centralized multilevel governance structure where the MoNE (Ministry of National Education) shapes the education policy at the secondary education level and the HEC at the tertiary level (OECD, 2013). Governance in the VET context concerns the decision-making and funding of the system. The state is the main decision-making authority at the national level in terms of coordinating the VET system. The Vocational Education Council affiliated to the MoNE makes decisions on the planning, development, and evaluation of VET (ETF, 2014:39). The council has members from different social partners including the relevant ministries, trade unions and employer associations, and chambers of industry and trade.

At the local level, ‘Provincial Employment and Vocational Education Board’ (PEVEB) serves as an important governance and communication mechanism bringing stakeholders together. Members of this board include representatives of trade unions and employers’ organisation, industry chambers, universities, and local government agencies. This board is officially authorized to make local-level VET decisions and deliver these decisions to the MoNE for approval (MEB Mevzuat, 2011). The board revises the changing needs of vocational schools at different provinces. It determines which particular fields need to be launched in vocational schools to meet skill need of the industry at that particular city or region and then conveys its decisions to the MoNE. In other words, this board revises both employment and education policies at the local level. In this sense, it has an important role in overall VET system by acting as a bridge between business and education. The existence and

function of the PEVEB can be read as a sign of decentralization of the VET system- i.e. delegation of the authority from centre to social partners at the local level. Although the MoNE, as the state agency, holds the control of governance at the national level, it seems to delegate authority to the PEVEB at the local level.

Regarding the funding of VET, the state is the main actor and official sponsor shaping the system by covering the cost of education in vocational schools and training centres and paying the salary of vocational teachers. The main source of funding is provided through the national budget allocated to VET and supported by international projects to education, the private sector and NGOs, and the revolving fund enterprises in schools (ETF, 2014:47). With the aim of strengthening the VET system, the state dramatically increased the budget allocation for VET in overall education between 2009 and 2012 (Figure 3.3). This investment increase can be considered as an indicator reflecting the growing importance of VET in Turkey and substantial support of the state for this type of education. The agreement signed between the MoNE and MoSIT in 2012 enabled NGOs to establish private vocational schools in organised industrial zones. This situation may be one of the reasons explaining the dramatic decrease of budget allocation between 2012 and 2013, creating external sources of funding for VET.



Source: MoNE (2014)

**Figure 3.3. The share of budget allocation for vocational and technical education from overall budget of MoNE (%)**

### 3.3.3.2. Primary place of vocational training

Vocational high schools, colleges, and public training centres are the main institutions offering vocational education in Turkey. One specific characteristic of vocational education in schools is that classrooms inside the schools are differentiated between laboratories (firm-sponsored classes) and state-sponsored classes. In addition to vocational education, students gain practical skills during their training at the workplace and this is regulated by the Law No 3308<sup>4</sup> imposing obligations to firms in terms of providing vocational training to the students. The state applies a levy system for those employers that do not provide places for students' training. The detailed information about the levy system as well as the laboratories is presented in Chapter 6.

Three options are available for the students following the VET path to acquire basic vocational knowledge and skills: laboratories, dual vocational training centres, and the state-sponsored classes in vocational schools. Laboratories, firm-sponsored classes located in vocational schools, are considered as a form of school-based VET system because the majority of students' learning takes place in the school while they receive workplace training only in the final-year. In this final year, the students spend three weekdays of the week for vocational training at the workplace while completing vocational education for two weekdays. After completing the 9<sup>th</sup> grade (typically age of 14-15) students apply to the firms' laboratories to pursue the education in these special classes. In collaboration with teachers of vocational schools, the firms select the most successful 20-30 students on the basis of several criteria including the students' national exam score<sup>5</sup>, the 9<sup>th</sup> grade point average, face-to-face interviews, and absenteeism records of the 9<sup>th</sup> grade. This may indicate how the laboratory model is institutionalised and how firms take it as serious.

As an alternative to laboratories, students may choose the path of dual VET system after the 9<sup>th</sup> grade. The dual system is an example of the enterprise-based VET system because the majority of learning takes place at the enterprise. In this system, the students sign a three-year contract with a particular workplace to receive practical training while continuing theoretical education in dual vocational education centres mostly located inside a vocational school.

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<sup>4</sup> The 3308 Vocational Education Act (1986) defines firms' relationship with the VET system. According to Article 18 of this Act, enterprises with more than twenty employees are obliged to provide vocational training to final-year students in the workplace during one academic year and pay one-third of the national minimum wage to each student during this period. Source: <http://mevzuat.meb.gov.tr/html/3.html> (Access date: 22.02.2016)

<sup>5</sup> Students take this exam when they are in the 8<sup>th</sup> grade of national education. The exam determines which type of high school (e.g. general, vocational and science-based) the students will pursue their education.

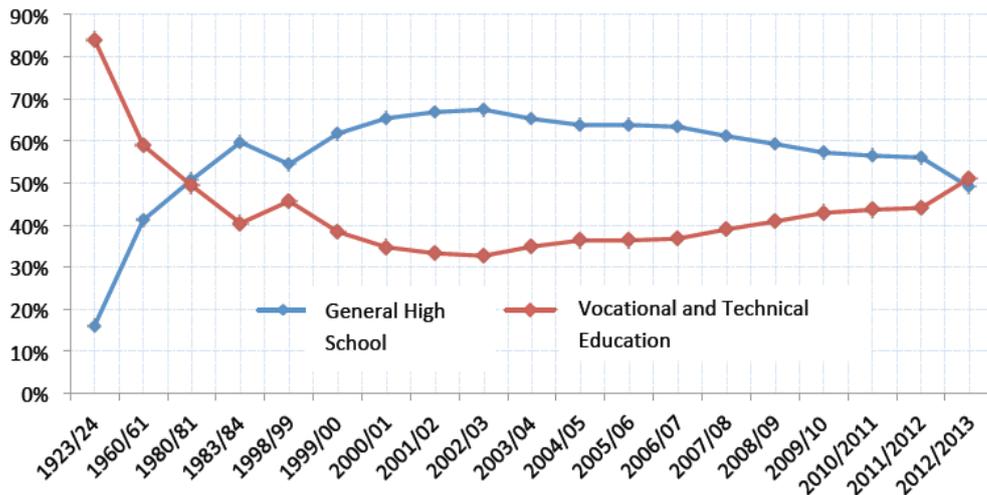
During three years, the students spend two days at a dual centre and three days at the workplace. The selection process of students in the dual VET system is similar to the process of laboratories. A number of students apply to firms' laboratories or dual training centres and the firms select the most successful ones among the applicants. However, the firms also promote themselves to the students by visiting vocational schools and introducing their opportunities. In other words, they compete with other firms in attracting the successful students. Since a limited number of students are accepted to these firm-supported training programmes, the remaining students continue their education in the state-sponsored classes.

What makes the laboratory model or dual VET system prestigious is an important issue to understand the students' motivation to be selected. One major advantage the students gain in these models is employability because the firms prioritize employment of the graduates of their own training programmes. In addition, in the laboratories or dual training centres, the students receive more quality and updated education linked with workplace experience due to the firms' support when compared with those students in the state-sponsored classes. This enables them to be employed in several other firms in the industry. Comparing the dual system with laboratory model from students' perspective, it appears that the dual system offers more workplace experience to students as the students spend three days of the week at the workplace during the three-year programme. In the laboratory model, on the other hand, students receive workplace training in their final year. This difference also has an implication in students' payment during the training process. As introduced earlier, firms are legally required to pay one-third of the national minimum wage to students during OJT. The students of the laboratory model benefit from this regulation for one year- i.e. their final year. The firms implementing the dual VET system, on the other hand, provide three-year financial support to their students. Additionally, the graduates of the laboratories are only awarded high school diploma and a firm-specific certificate influential in their employment of that particular firm whereas the graduates of the dual system are additionally awarded a journeyman's certificate if they successfully pass the required exams. This certificate is an official requirement for individuals who want to acquire the status of 'master craftsman' in a later period and run their own business (become self-employed). The journeyman's certificate paves the way of craftsmanship and provides to the graduates the opportunity of beginning their own business.

### 3.3.3.3. VET status

VET has been the subject of heated debate in Turkey for decades. Although the majority of Turkish society agrees on the fact that the VET system plays a crucial role in the country's national development, the system is still far from the positive status where it is expected to be. In order to understand why this is the case, it is important to adopt a historical perspective (see Appendix 2). One of the most influential turning points of the Turkish VET system is the decision of the Higher Education Council (HEC) in 1999 to change the regulation for VET graduates' entrance to the university. Actually, this decision was an indirect effect of the HEC's decision to change the examination system for the university entrance. Before 1999, the system was formed of two stages whereby students had to take two different exams at different times. In this system, the students were free to choose any field to study in the university regardless of their graduation field. In 1999, the HEC introduced a new examination system formed of single stage and implemented the concept 'weighted high school grade point average' while calculating the students' scores for the university entrance (Ozdemir, 2010). According to this new system, VET graduates were placed in a disadvantageous position in the university entrance exams by losing points if they opted a different field to study in a university other than their graduation field. In such cases, a different coefficient was implemented in the calculation of the graduates' overall scores for the exam. Kenar (2010) argues that this new regulation has been one of the key factors resulting in a dramatic decrease in the enrolment rate of students choosing vocational education as compared with the enrolment rate in general high school (see Figure 3.4). In other words, VET became less attractive after the legal changes of 1999 (Winterton, 2006).

The HEC's coefficient decision for VET graduates is considered as a follow-up step of the breakpoint event known as '28 February Process' (MEB, 2015a), the time period when "the last 'post-modern military intervention' took place in 1997 which aimed at curbing the growth of political Islam in Turkey" (Yucel, 2002 in Sozen and Shaw, 2003:110). Considering the political context of Turkey at that time, the 'coefficient implementation' of HEC is perceived as an adverse impact of political attempts on the VET system. Dogan and Yuret (2015) state that the decision of the HEC was interpreted as a deliberate obstacle against graduates of religious vocational schools (*'imam-hatip liseleri'* in Turkish) that are officially labelled in 'vocational school' category, and therefore the decision influenced all VET graduates in a negative way.



Source: MoNE (2014)

**Figure 3.4. Distribution of general and vocational and technical high school students in secondary education (%)**

### 3.3.3.4. Skills specificity

There is an on-going effort in Turkey to institutionalise skill qualifications and to create an OLM model. It has a national vocational qualification system (VQS) that covers the definition of national vocational standards, the adaptation of vocational education and training in line with these standards, and certification of skills according to the defined standards. The Vocational Qualifications Authority (VQA), a public institution, is the authorised agency coordinating the whole process by monitoring and evaluating the activities related with the system. However, the governance of VQS has a consensus-led model whereby social partners including the representatives of employer associations and unions are also involved in each stage of the decision-making process.

The VQS is formed of two main steps. The first step is the definition of standards and qualifications. Particularly, employer associations and trade unions play an active role in this step. In order to determine specific requirements of a vocation, these actors may conduct fieldwork through plant visits and collect data on the site by talking with employees, team leaders, and managers. Alternatively, a specific method called DACUM<sup>6</sup> (developing a curriculum) is employed for the definition of vocational standards. In this model, instead of

<sup>6</sup> Developing a Curriculum (DACUM) is a process that incorporates the use of a focus group in a facilitated storyboarding process to capture the major duties and related tasks included in an occupation, as well as, the necessary knowledge, skills, and traits. This cost-effective method provides a quick and thorough analysis of any job.

Source: <http://facilitation.eku.edu/what-developing-curriculum-dacum> (Access date: 28.04.2016)

working in the field, the responsible actors invite people from the industry and establish a commission to discuss the minimum requirements of a vocation. Once all social partners including the NGOs and actors from industry and education agree on defined standards, the VQA informs the education agencies (the MoNE at the secondary level and HEC for tertiary education) so they can adapt the VET curriculum in line with the industry's requirement. The second step of VQS is the certification that refers to the official recognition of skills. VQA acts as the coordinating body in the process of examination and certification. However, the institutions accredited by the VQA perform the actual task of providing certification to individuals who want to validate their skills.

### **3.3.3.5. Transition from school to work**

Youth unemployment and skill mismatch are two major issues that can be considered as strongly related to the transition from school to work in the Turkish context. According to the recent official records, youth unemployment (15-24) is 24.5% in Turkey (TUIK, 2017), which is almost twice the rate of OECD average (13%) (OECD, 2016d). VET graduates' unemployment rate is 14.6%, which is slightly lower than the rate of the graduates of general education (15.4%) (TUIK, 2017). In addition to the high unemployment rate of VET graduates, skill mismatch is another issue that Turkey needs to deal with urgently. The concept of skill mismatch refers to a mismatch between skill supply of the VET system and skill demand of the industry. Despite the high number of graduates looking for a job, employers still struggle to find qualified employees that meet their skill requirements. Shared complaint of employers is that education delivered in vocational schools mostly does not match the requirements at work. Aytas (2014) notes that skill mismatch has become an important issue recently in Turkey, but very limited number of studies and official reports focused on this issue. The major source of the mismatch problem is the weak coordination between the VET curriculum and the skill need of the industry, which will be discussed through empirical findings in Chapter 5. Accordingly, the state initiated a number projects to improve the VET system and deal with the skill-related problems (see Appendix 2 for the list of these projects).

In the sense of coping with high youth unemployment, the state took an important step and initiated the UMEM project in 2010 (*Uzmanlaşmış Meslek Edindirme Merkezleri*-Specialised VET Centres for Employment). This project is a prominent example of the private sector's active engagement in skill generation by cooperating with public actors

(UNDP, na). The main partners of the project are the Turkish Union of Chambers and Commodity Exchanges (TOBB), Turkish Ministry of Labour and Social Security, Ministry of Education and TOBB Economy and Technology (TOBB-ETU) University. The project is also known as the first project in Turkey in the sense of the skills need analysis of the industry at the provincial level as a result of the connection between VET actors and 500 firms from 19 cities providing 80% of the employment in Turkey and examining the skill needs of these firms (Dincsağ, 2011). Since 2011, as the outcome of the project, about 4,682 courses have been started and 31,125 people have been employed (UNDP, na).

In response to skill mismatch, another important step of the state is the on-going work of establishing the National Qualification Framework (NQF) and changing the curriculum of VET in accordance with this framework. The framework is jointly designed by social partners with an aim to develop a qualification system that is sustainable and comprehensive for skills in all sectors. This consequently seems promising to fix the skill mismatch problem. The whole process of aligning the qualification system with vocational education requires the VQA and the MoNE to work closely, which is yet to be achieved (see Chapter 5 for further discussion).

### **3.4. Implications of countries' different skill systems on firms' behaviours**

The previous section showed the different institutional characteristics of the selected countries' VET systems (Germany and Japan as the home countries, and Turkey as the host country). This section discusses the possible implications of the countries' differences on MNCs' behaviours. Chapter 2 focusing on the MNC literature has already covered the home and host country effect and the implication of the differences between home and host countries on MNCs' employment practices. This section, building on Chapter 2, discusses the potential transfer of the German dual VET system and Japan's firm-based skill system to another country.

The dual system of Germany has been treated as a success story and widely admired by other countries. "Bold slogans such as 'dual system – an export hit' and 'vocational training made in Germany– a model for success' are heard regularly in the political arena" (Euler, 2013:11). However, this is only one side of the system. Solga et al. (2014) stress the demanding aspect of the system from the institutional perspective and its embeddedness in the labour market structure. Given the contextual requirements for the German dual system's sustainability, they argue that copying the dual system is not an easy process for other countries. Phillips

and Ochs (2003) also stress the important enabling role of the German social partnership. This partnership supports the dual VET system and its high status in the German society (*ibid*). The authors compare the UK and Germany on the basis of different political objectives of vocational training. They argue that due to the different objectives in two countries, it would not be feasible to copy the German dual system in Britain. Not only the different objectives in two countries but also the different contextual background of the UK lack of social partnership would make it difficult to reproduce the German system in the UK context. Regarding the transfer of the German system, Hummelsheim and Baur (2014:287) suggest that it must be understood “as a continuum, rather than as a matter of a flat yes or no”. This approach enables more flexibility in transferring and adapting the dual system to a different country context (*ibid*). The authors identify five key elements perceived as the spirit of the dual system. These elements are listed as close cooperation between the state and the private sector, on-the-job learning, societal acceptance of standards, training of vocational trainers, and institutionalised research and career guidance (p.287). For a different country attempting to copy the German dual system, it is necessary to implement these five elements. But the result would be still different, particularly when these elements are considered together with the funding of VET. Accordingly, the argument of Hummelsheim and Baur (2014) is that even if the German system’s key elements are applied to a different country, each country will still copy the elements in different ways due to their different socio-economic conditions, legal framework, and the financial system. Euler (2013) positions in the similar line with the other mentioned scholars by emphasising the context-specific requirements of the dual system- i.e. its embeddedness in historical, political, institutional and legal conditions. Given this, the argument is that “it is unrealistic to suggest that the German system might be adopted in its entirety” (*ibid*: 66). Looking from a broader theoretical perspective, Euler (2013) states that transferring a system from one country to another is beyond copying the original system, but it is rather an on-going process of selection and adaptation while examining the conditions of the recipient country.

Considering the debate on transferring the dual system from the perspective of German MNCs, one major challenge may be the institutional difference between the home and host country if the host country’s conditions (e.g. legal structure, governance, and financing) do not allow a German subsidiary to implement the dual system. For instance, MNCs would encounter challenges while attempting to export the dual system to a country where the institutional context does not support it due to the lack of social partnership and weak connections between vocational education at schools and training in companies. In addition,

the situation becomes more complex when considered together with company-based factors such as motivation for investment in training and collaboration with the host country institutions in implementing the dual system. In this respect, the empirical chapters of the research (Chapters 6 and 7) are believed to provide more insight in examining how the different contexts of Turkey and Germany shape the German MNCs training practices in Turkey.

In contrast to the standardised and institutionalised skill system of Germany at the national level, skill development is predominantly embedded in a firm-specific context in Japan. Different firms develop and formulate employee skills in a way that is less interconnected and relied upon the surrounding national institutional structure. This situation affects the developmental practices the MNCs adopt in their over-sea operations. Accordingly, in order to maintain efficiency in over-sea operations, Japanese firms may want to transfer specific training methods such as ‘formalised OJT’ that is perceived to produce positive outcome at home (Koike, 1997). Koike and Inoki (1990:41-42) define OJT as the best way to transfer skill-formation systems. However, contextual differences between the home and host country may still be present as an obstacle against the transfer of skill-related practices. Moreover, technical competences are approved in terms of specific skills rather than a broad occupation in Japan (Lauglo, 1993), which may create a tension while transferring practices to a regulated system with nationally recognized occupations. Given this, Japanese MNCs would be expected to follow differentiated skill strategies in line with different countries’ conditions. Sako’s (1994) study of subsidiaries of Japanese MNCs in Germany and Britain provides insight into this issue. The study shows that MNCs tend to modify their developmental practices according to the local conditions of the different host countries. Since the German skill system depends on nationwide regulations coordinated by social partners, the firms adapt their practices in line with these regulations. Moreover, the German system is well structured to provide qualified intermediate skills. Therefore, it is assumed that the Japanese companies do not have skill-related concerns. On the other side, Britain lacks such a strong VET system and thereby the British labour market does not supply sufficient qualified skills. This situation forces the Japanese firms to transfer their developmental practices from the home country to sustain competitiveness.

### **3.5. Conclusion**

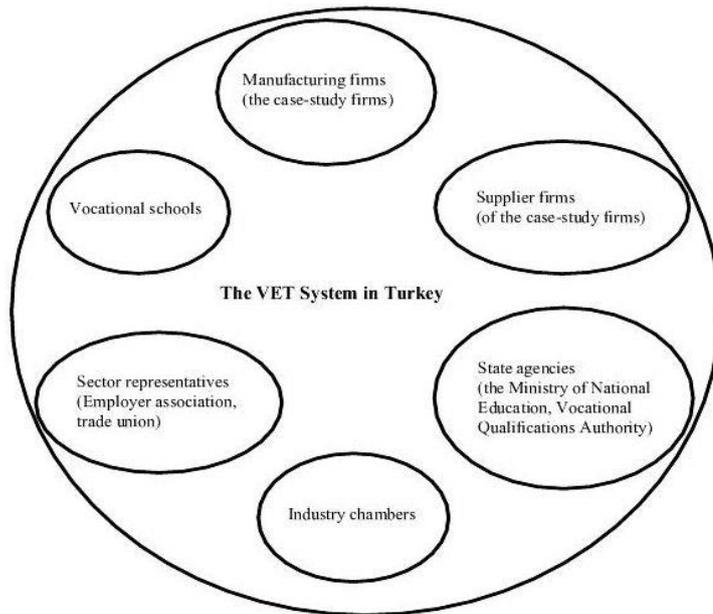
This chapter focused on varieties of skill regime in different countries. The chapter introduced the debate on the well-known distinction of Hall and Soskice who classify countries as LMEs and CMEs. However, it is seen that such distinction does not fully inform about different characteristics of the countries classified in the same group. Germany and Japan are covered as two distinct examples in this sense. Both of the countries are defined as CMEs. But, as elaborated in the second section of the chapter, the countries reveal substantial differences on several dimensions including governance and financing, skill specificity, and VET status. Germany has a nationwide VET system supported by OLM whereas Japan is known with its firm-based system fostered by ILM. The section also introduced the characteristics of Turkey on the basis of the same dimensions. Turkey has a dominantly state-led VET system with an attempt of establishing OLM but nevertheless suffering from skill mismatch and low VET status. In this respect, Chapter 5 provides empirical insight into the main problems that the system undergoes. The third section of this chapter briefly discussed the implication of the selected countries' (Germany and Japan) different skill systems on German and Japanese MNCs, respectively. It is seen that MNCs in both groups may encounter several challenges in their attempt of exporting the home countries' skill characteristics. But German MNCs are expected to struggle more in transferring the German system due to this system's demanding nature in the sense of institutional setting at the national level. Japanese MNCs are expected to have more flexibility in transferring the skill practices of the home country, as the practices are mostly firm specific. Nevertheless, it is essential to remind that Japan's national context (the nature of the labour market and the state's role) supports the firm-based training system. Therefore, it is questioned to what extent Japanese MNCs would be autonomous and establish their firm-specific skill system in a host country that has a strongly state-led and regulated VET system. Chapter 6 attempts to provide empirical insight into answering this question.

## **Chapter 4- Methodology**

### **4.1. Introduction**

This chapter is designed to explain the methodology of the study in accordance with the research aim and questions. The aim of the study is to understand the two-way relationship between MNCs and host-country institutions in the context of the Turkish VET system. Accordingly, the research questions are designed to understand the institutional context of the Turkish VET system and to compare the similarities and differences between MNCs from different home countries in terms of their skill practices in Turkey. In order to answer the research questions, the research adopts a case-study approach and focuses on three main groups: the case-study firms (German, Japanese, and Turkish firms), their suppliers, and a range of actors in the VET system (Figure 4.1). Involvement of the case-study firms' suppliers in the research is important to obtain a deeper insight at the industry level by exploring the production-skill relationship and to examine to what extent skills development in the supplier firms 'benefits' from guidance by the buyers. In addition, as the broad research aim is to explore the relationship between MNCs and the VET system, it is essential to unpack the organisations that constitute this system. In this respect, the involvement of other actors (state agencies, industry chambers, sector representatives, and technical teachers of those vocational schools that are the partners of the case study firms) provides broader perspective in the sense of the contextual background of VET and employers' role in this system.

This chapter consists of four main sections. The first section explains how the research design was developed to meet the study objectives. The research design is highly essential due to its function of framing the core elements of the research such as the research questions, literature review, data analysis, and results (Thietart, 2001). This section compares the chosen path to alternative paths in deciding on the empirical elements of the research and explains the rationale of the former. The second section introduces the reasons for selection of the focus industry and the case-study companies. The first part of this section focuses on establishing the case studies by briefly introducing the selected-firms' profiles. The second part focuses on the selection of the supplier firms and VET actors. The next section of the chapter addresses the process of data collection. It discusses the process of interviews in detail. The fourth section presents the specific methods and steps that are used in analysing the collected data. The chapter concludes with a summary of the methodological aspects of and limitations of the study.



**Figure 4.1. Overview of the interviewed organisations**

#### **4.2. Research design**

Yin (2003:20) describes a research design as the “logical sequence that connects the empirical data to a study’s initial research questions and ultimately to its conclusions”. The research design can be considered as a road map showing the path followed in choosing the particular methods and procedures used in collecting and analysing the required data to answer the research questions. Figure 4.2 shows the decision map for this research with the chosen and alternative paths. The remaining part of this section and the following sections explain in detail the rationale of the decisions made in determining the research method and selecting the institutions and participants for the in-depth interviews.

The starting point in data collection is the decision of a quantitative or qualitative research approach, or a mixed method combining these. These quantitative and qualitative approaches are known as ‘two fundamentally different paradigms’ through which the social world is studied (Brannen, 2005). Quantitative research provides a broad overview of issues and patterns. However, Yin (2014) argues that this approach cannot comprehensively capture the complex nature of a phenomenon whereas qualitative research enables this. In connection with these two main approaches, there are several research methods (e.g. questionnaire, observation, interview, and focus group) enabling data collection. In the sense of determining the research method, Yin (2014) points out that it is not the hierarchical view such as case study for exploratory phase of an investigation and surveys for the descriptive phase, but

rather the conditions that determine the choice of the strategy and method of a study. Three conditions are highlighted in this respect (*ibid*, p.9): the type of research questions posed, the extent of control a researcher has over actual behavioural events, and the degree of focus on contemporary as opposed to entirely historical events. Accordingly, the case study approach is appropriate when the research asks ‘how and why’ types of questions requiring in-depth information, when focusing on contemporary events and when the researcher cannot manipulate the behaviours of the research subjects (*ibid*). Given the description of case study, the researcher decided to conduct this approach for empirical part of this research due to its focus on contextual elements. The research explores the MNCs’ engagement with the national skills system in Turkey and it aims to understand the host country environment in the sense of the VET system.

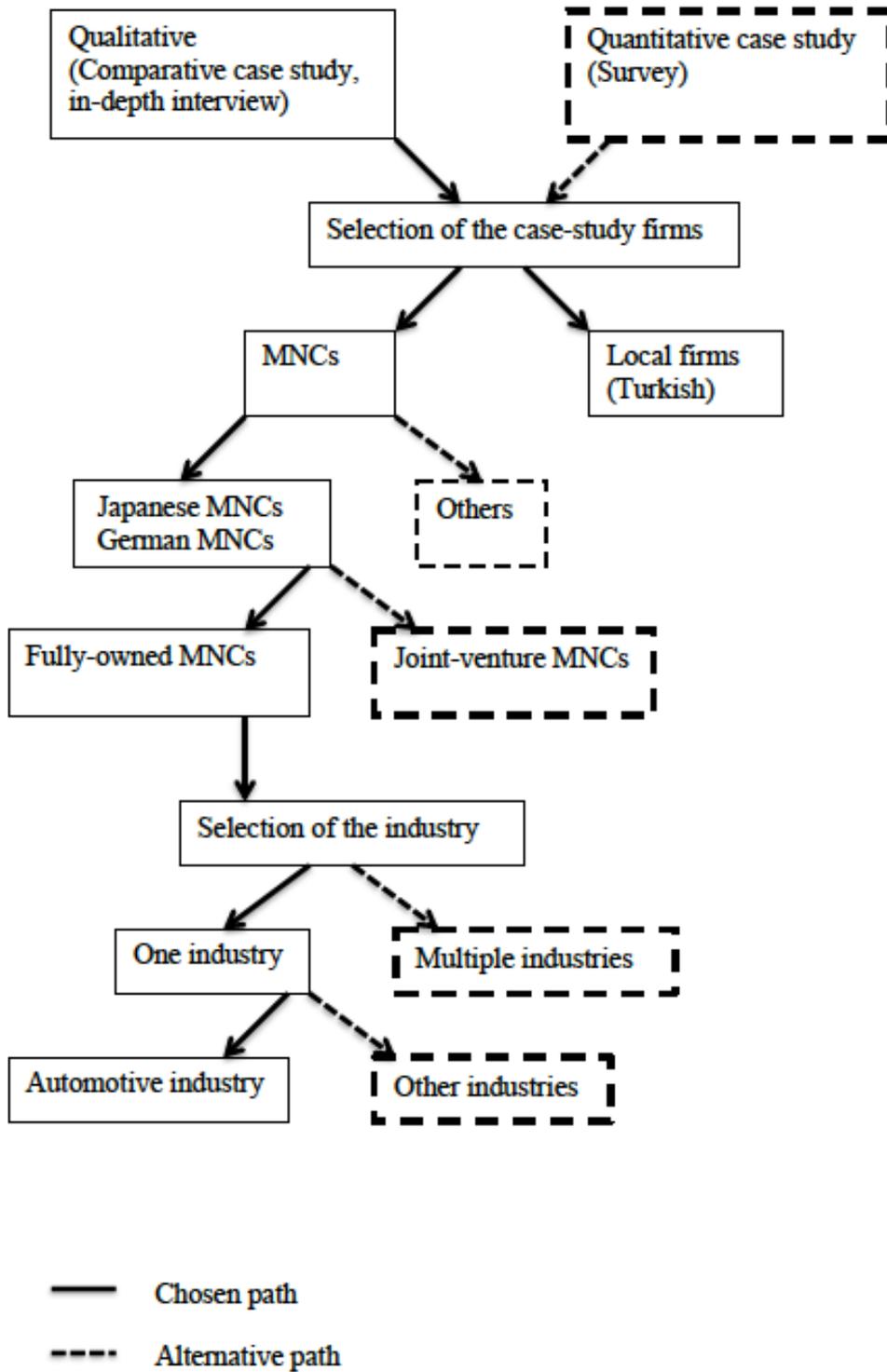


Figure 4.2. Decision map for the research design in data collection

Creswell (2007) refers to case study research as one of the qualitative approaches<sup>7</sup> to inquiry and defines it as a way of exploring an issue through one or more cases within a bounded system (i.e. setting, context). But some other scholars adopt different positions to the case study. For example, Yin (2003) and Denzin and Lincoln (1994) highlight the comprehensive nature of a case study and state that it should not be perceived as limited to the qualitative research but it can be both of quantitative (e.g. survey) and qualitative (e.g. in-depth) approach.

In this research, applying a quantitative case study with surveys on several MNCs obviously would provide a broader insight into firms' engagement with the Turkish VET system when compared to a qualitative study focusing on a few cases. For example, Mellahi et al. (2013) developed a quantitative research with MNCs in Turkey to understand the similarities and differences of HRM practices of MNCs and local firms. But the authors acknowledge that even if the quantitative nature of the study allows them to obtain a broad overview of trends, it does not provide in-depth insight into how HRM practices are actually implemented. Only the qualitative research can achieve this. In this thesis, the research questions in connection with the aim are mainly characterised by the nature of 'how and why' types of questions and therefore fit into the case-study approach. In this respect, the nature of the research aim and research questions require in-depth information on how MNCs build relationships with the host country's VET system and what factors determine their behaviours in this context. This, in turn, necessitates adopting a contextualised case study approach with the semi-structured interview method.

A case study approach provides several opportunities to understand the deeper aspects of an issue or a contemporary phenomenon within its real-life context (Yin, 2003). A case might be an individual, organisation, a role, community, or a nation (Punch, 2005). Given the focus of this research at the organisational level, the related literature defines the case study as a research strategy that enables researchers to understand the context-specific characteristics by using multiple methods in organisational level research and investigate organisations' decisions, behaviours, and relationship with each other in a specific context (Hartley, 2004; Lewis, 2003). In other words, rather than a single method, the case study approach can be considered as a research umbrella gathering several methods including the qualitative approach through interviews and documentary analysis under a single roof. Considering this inclusive nature of the case study, it is particularly useful in this research to deploy a

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<sup>7</sup> The other approaches are listed as narrative, phenomenology, grounded theory, and ethnography (Creswell, 2007).

qualitative case study approach to obtain a deeper understanding of the Turkish VET context and the selected firms' behaviours within this context.

Despite the major strengths of the case study approach, its limitations should also be acknowledged. This research approach has been primarily criticized for its lack of generalisability due to its limited sample size (Hamel et al., 1993). However, Yin (2014) makes an important distinction between statistical and theoretical generalization. For statistical generalization, the outcomes of a study are generalized from a sample to the population. For theoretical generalization, on the other hand, conceptual generalization becomes more crucial. Yin (2014) emphasises generalisability of case studies on the basis of theoretical generalization rather than a statistical projection from sample to population. In other words, as a research strategy, the case study approach should not be considered as dependent on numbers for its epistemological justification. The depth of cases becomes more crucial to explore the underlying reasons behind the experienced events. In this context, the literature refers to the difference between generalisability and transferability (e.g. Hamberg et al., 1994; Hignett, 2005). Transferability captures whether a study's results are transferable to other contexts, and in this way testing the 'external validity' of the study. In this respect, as stated by O'Leary (2004), the question is not to 'make claims' about populations, but rather to ask whether the lessons learned from a particular study can be applicable in similar conditions of other studies. For this research, the answer is 'yes' because researchers can study the concept of employers' engagement with national VET system by examining MNCs' operations in different developing countries and they can compare the results to draw conclusions about whether a pattern is revealed among the developing countries.

In relation to generalisability, the number of case studies becomes a crucial decision to focus on. The key question that needs to be asked before proceeding with the research is: how many case studies would be acceptable to answer the research questions? This question primarily requires the distinction between 'single' and 'multiple' case designs. In relation to this, Yin (2014) draws a parallel between a single case study and single experiment. He argues that the same conditions to justify a single experiment are valid to justify a single case study. In selecting a single case study, one of the reasons would be to determine the 'representative' or 'typical' case in order to "capture the circumstances and conditions of an everyday or commonplace situation" (*ibid*: 52). For example, a manufacturing firm might be selected as representative of many other firms in the same industry. In selecting a multiple case-study approach, on the other side, two main objectives encourage a researcher: to predict

similar results from each case (*a literal replication*) or to predict contrasting results but for anticipated reasons (*theoretical replication*) (*ibid*: 57).

Regarding the decision of multiple case studies, an epistemologically positivist approach concentrates on the optimum number of cases to be studied. For example, Eisenhardt (1989) refers to a number between four and ten cases to be studied for theory building. But Yin (2014) warns that the required number of the case study should not be determined by the ‘sampling approach’ but rather the number of case replications. Researchers may use a ‘two-tail’ design approach in which “cases from both extremes (some important theoretical condition, such as extremely good and extremely bad outcomes) are deliberately chosen” (*ibid*, 62). Given these different options discussed in the literature, the case studies of this research were determined through theoretical replication and a ‘two-tail’ design approach. The following section explains the reasons for this decision.

### **4.3. Elements of the empirical study**

This section first presents the rationale for selection of the focus industry and the case-study companies. It elaborates the decision for the number of the cases and selection of the case-study firms. Then, it explains the selection of the supplier firms and VET actors.

#### **4.3.1. Selection of the case-study firms**

In order to capture the relationship between MNCs and the Turkish VET system, the researcher was interested in examining the MNCs from different origins and domestic firms in the same industry. The majority of the studies in the MNC literature focus on the subsidiaries in a host country while rarely including domestic firms. In this study, the researcher included a Turkish company as a ‘comparative counterpoint’ to compare between the foreign-invested and local companies in terms of skill development and engagement in the national VET system and to understand whether additional opportunities or challenges exist for MNCs or local firms. This is believed to provide more robustness from the methodological perspective.

Three case studies were conducted in total in one German, one Japanese, and one Turkish firm. The researcher adopted the ‘two-tail’ design approach in selecting the case studies and determining the number of the cases in this research. German and Japanese MNCs were mainly chosen due to their different approaches to skill development based on prior knowledge in the field as well as theoretical insight from the related literature. In brief,

Germany is known for its strong nationwide VET system predominantly generating industry-specific skills; whereas Japan is known for its firm-specific skill system embedded in the internal labour market context (e.g. Busemeyer, 2009; Streeck, 2011). This provides a strong rationale for selecting the German and Japanese firms as the case studies (see Chapter 3 for further elaboration). A second issue concerns the ownership type of a subsidiary that comes as the next step in selecting the case studies (see Figure 4.2). Regarding the internationalisation strategy, MNCs tend to operate manufacturing activities through joint ventures or fully owned subsidiaries. For this research, only the fully owned German and Japanese firms were selected as potential case studies among the MNCs because it better allows understanding the influence of different home countries on MNCs' engagement with the VET system. Selection of a joint venture would make it difficult to distinguish the role of the foreign partner's home country.

In addition to the decision regarding country-of-origin and ownership type of MNCs, the decision of the industry is equally important in determining the specific case studies. The first step in this respect is the decision of conducting the research in one industry or multiple industries. Despite the theoretical issues emerging from the inclusion of several industries, selection of multiple industries was ruled out in this research on grounds of feasibility as it would have been too challenging to collect in-depth data from several industries in a limited time and with limited resources. Given the decision of focusing on a single industry, the key question was: What specific industries include the German and Japanese firms that fit into the research design? In this respect, the researcher focused on the automotive industry for three main reasons. First, the German and Japanese firms in Turkey have a leading position in the Turkish automotive industry as they are among the most active investors in the industry. Second, the firms in this industry mostly draw their labour market from the graduates of vocational schools. However, the problem is that they struggle in finding qualified technical skills (Dunya, 2015). This suggests that the quality of vocational schools has a direct impact on the operational quality in the automotive industry. Given these two reasons, the research was based on the expectation that the firms in the automotive industry have a close connection with the Turkish VET system to solve the skill shortage problem. The third reason concerns the important position of the industry in (1) terms of FDI and (2) within the Turkish economy. According to the recent report released by KPMG Turkey, 81% of the investment in the automotive industry in 2016 has been achieved by FDI (KPMG-Turkey, 2017). Based on the trajectory of 2016 data, the report highlights that the automotive industry will continue to be the 'locomotive' of the Turkish economy in 2017 by contributing to its growth. In

addition, around 70% of original equipment manufacturers (OEM) are formed of a wholly-owned subsidiary or joint venture FDI (OSD, 2016) (see Appendix 3 for the overview of automotive firms in Turkey). Accessibility was also influential in deciding on the firms operating in the automotive industry.

Three main criteria were used in the decision of the number of the cases and selection of the specific MNCs as the case study: country-of-origin (German and Japanese MNCs), ownership type of the subsidiary in the host country (the wholly-owned subsidiary), and availability of these firms in a particular industry (automotive). As Table 4.1 shows, there are three MNCs fitting into this research design: Honda (Japanese); MAN Turkey (German), and Toyota (Japanese). Considerations of design symmetry and feasibility motivated the inclusion of one German and one Japanese MNC. At this point, the symmetry of research design is important. Even if there are two Japanese MNCs, the number of the German firms does not match it. In addition, access was supported by previously established contacts from MAN and Toyota.<sup>8</sup> This contributed to the decision of selecting these firms as the case studies. Accessibility was also influential in selecting Temsa Global as the case study representing the Turkish firm.

It is essential to provide further explanation for the case of Toyota as two different companies carry out the Toyota operations in Turkey (TMMT for manufacturing and Toyota-TR for sales and after-sales services). The detail of the company profiles will be introduced in the remaining of this section. But it is important to indicate here that the researcher treated these firms within the same case study of Toyota due to both firms' operational interdependence with the Toyota global and regional headquarters (HQs) in Japan and Belgium, respectively. In other words, the operations of both firms are strongly shaped by direction of the Toyota HQs.

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<sup>8</sup> The researcher conducted interviews with these two firms in 2013 for the Master dissertation.

**Table 4.1. General information on the automotive manufacturers in Turkey**

<b>Firms</b>	<b>Production</b>	<b>Starting year of production</b>	<b>Foreign Capital (%)</b>
AIOS	Bus, LCV, HCV	1966	29.74 (Japan)
Ford Otosan	LCV, HCV, minibus	1983	41.04 (the US)
Hattat Tarim	Tractor	2002	0
Honda Turkiye	Passenger car	1997	100 (Japan)
Hyundai Assan	Passenger car, LCV	1997	70 (S.Korea)
Karsan	LCV, minibus, HCV	1966	0
M.A.N Turkiye	Bus	1966	100 (Germany)
M. Benz Turk	HCV, bus	1968; 1985	84.99 (Germany)
Otokar	LCV, minibus, bus	1963	0
O.Renault	Passenger car	1971	51 (France)
Temsa Global	Bus, LCV, HCV	1987	0
Tofas	Passenger car, LCV	1971	37.8 (Italy)
Toyota	Passenger car	1994	100 (Japan)
Turk Traktor	Tractor	1954; 2014	37.5

Source: OSD (2016)

## **Profile of the case-study firms**

### **MAN Turkiye A.S.**

MAN-Turkiye A.S. is the Turkish subsidiary of the MAN Group<sup>9</sup> that has its head office in Germany and operates in the industry of commercial vehicle, engine, and mechanical engineering. The subsidiary was established in 1966 in Istanbul and produced its first truck in 1967 (see Appendix 4 for the firm's corporate history). In 1986, it started producing buses and moved production from Istanbul to Ankara. The subsidiary is the first and largest bus manufacturing plant of MAN outside Germany and the only plant manufacturing all types of buses. As of 2015, with 1936 employees, it produces 1500 buses per year and exports its products to 41 countries (MAN-Turkiye, 2016a). The subsidiary manages both manufacturing and distribution operations. It is also responsible for local marketing, sales, and after-sales services of all MAN trucks and buses of MAN and NEOPLAN. The subsidiary has nine dealers for marketing and sales and 31 stations for after-sale services in Turkey (MAN-Turkiye, 2016b). In 2012, MAN-Turkiye completed its own R&D centre and in this way, the operations on the design, test, and analysis for the vehicles are brought under a single roof (InvestinTurkey, na).

In 1997, the subsidiary established a skill development centre located inside the plant to meet its technical skill needs by training new and existing employees. The department of Human Resources and Organisational Development manages this centre. The centre's training staff consists of one manager, four instructors, and one CNC (computer numerical control) technician.

### **TOYOTA**

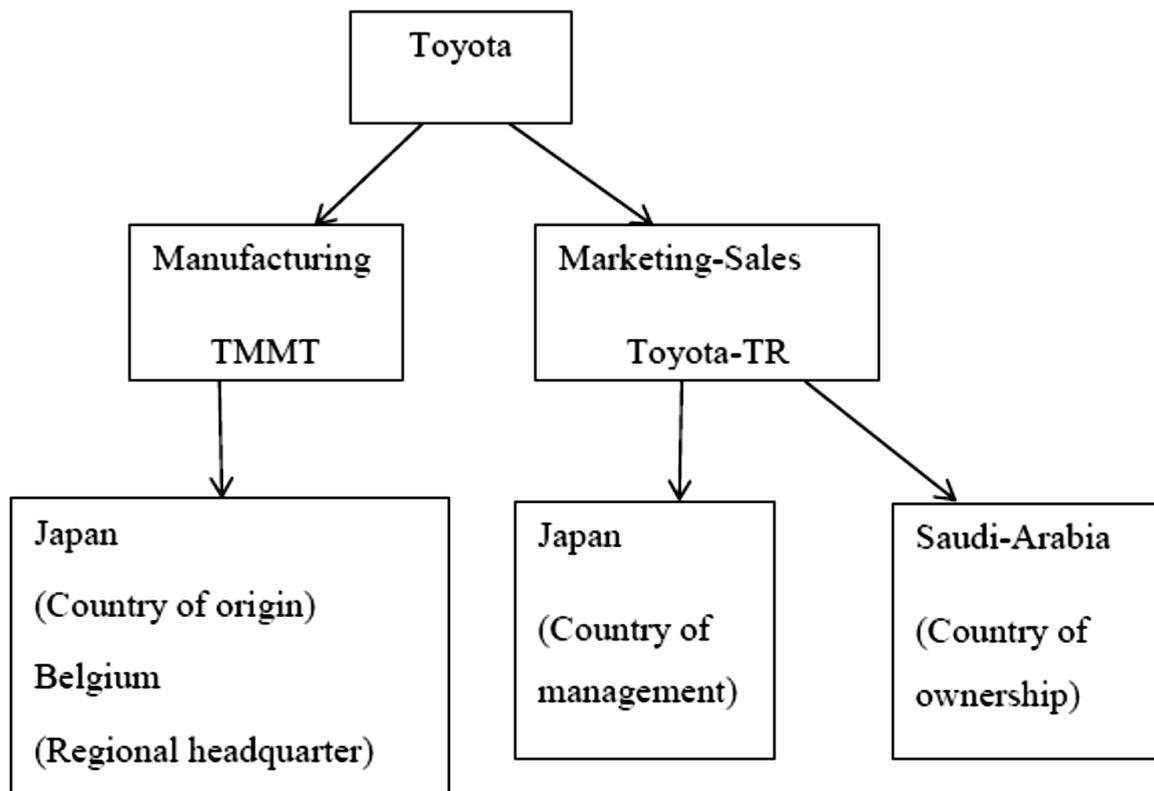
In 1990, the company ToyotaSA was established in Turkey as a joint venture of Toyota Motor Corporation (TMC) (Japanese), Mitsui (Japanese), and Sabanci Holding (Turkish) (see Appendix 5 for the firm's corporate history). In 1994, it started manufacturing passenger cars. In 2000, the company was restructured and divided into two different companies independent from each other: a 'manufacturing and export company' and a 'marketing and sales company'. The manufacturing and export company was named 'Toyota Motor Manufacturing Turkey' (TMMT) and the marketing and sales company was named 'Toyota

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<sup>9</sup> As of 2015, MAN Group has a large network of subsidiaries and cooperation in 29 countries. Source: <http://www.invest.gov.tr/en-US/successstories/Pages/MAN.aspx> (Access date: 24.01.3017).

Turkiye Pazarlama ve Satis A.S.’ (TOYOTA-TR). In 2009, Sabanci Group sold all of its shares to Abdul Latif Jameel (ALJ) Company and withdrew from Toyota ownership.<sup>10</sup> Currently, TMMT is managed with 100% Japanese capital through 90% of the shares owned by Toyota Motor Europe (TME), located in Belgium as the regional headquarter (HQ), and 10 % owned by Mitsui Co Ltd. TMMT has 3000 employees and a production capacity of 150000 units a year.<sup>11</sup> On the other hand, with around 500 employees, Toyota-TR is owned by the ALJ group (see Figure 4.3).

In TMMT, the department of Human Resources Development (HRD) plans and organises the firm’s skill practices within the framework of a training programme called ‘master plan’. In TOYOTA-TR, the training department is responsible for both in-firm training and linkage of the firm with the national VET system.



**Figure 4.3. Toyota’s structure in Turkey**

<sup>10</sup> <https://www.toyota.com.tr/Turkey-Local/sirketimiz.json> (Access date: 25.11.2015)

<sup>11</sup> <http://www.toyotatr.com/?m=p&pid=8> (Access date: 18.12.2015)

## **TEMSA Global**

TEMSA (Termomekanik Sanayi ve Ticaret A.S.) Global was established in 1968 in Adana by Sabanci Holding to supply steel to the construction industry (see Appendix 6 for the firm's corporate history). The firm signed the distributorship contract with the Japanese firm Komatsu in 1983 and the other Japanese firm Mitsubishi Motors in 1984.

TEMSA started manufacturing coaches in 1984 and buses in 1987. The firm currently produces buses, coaches, and light trucks with a production capacity of 11,500 vehicles and 1000 employees on the production site and exports its products to sixty-four countries. In addition to manufacturing, TEMSA is responsible for the distribution of its own products as well as the products of Mitsubishi Motors and Komatsu. The firm has eight local and 27 international distributors. The technical training unit of Temsa founded in 2004 is responsible for recruitment, vocational training, and certification of blue-collar employees as well as building the firm's relationship with the national VET system through the projects on school-industry.

### **4.3.2. Selection of the supplier firms and VET actors**

The suppliers of the case-study firms and a range of VET actors (the state agencies, industry representatives, and vocational schools) are further main components of this research in addition to the case studies (see Appendix 7). Selection of the VET actors was a relatively straightforward process. There are two main organs that the researcher used as the referencing point to identify the main actors: Vocational Education Council (affiliated to the Ministry of National Education) and the automotive committee of Vocational Qualification Authority (VQA). Further interviews were organised with the representatives from these two bodies. In other words, the selected VET actors were determined due to their direct link with the VET system with a special attention on the automotive industry.

Selection of the vocational schools and suppliers was primarily determined through the suggestions of the contacts from the case-study firms. In the case of the schools, the researcher only focused on the partner schools of the case-study firms in accordance with the research aim. Selection of the suppliers was guided by the purchasing department of the manufacturing firms (case-studies). This was successful in the case of MAN and TEMSA. However, the case of Toyota proved to be difficult. The manufacturer of Toyota in Turkey (TMMT) does not deal with the supplier-related issues but Toyota Motor Europe (TME) - i.e. the European HQ of Toyota located in Belgium, is mainly responsible for the relationship

with the suppliers. Having the branch in Turkey that is located next to TMMT, TME coordinates the connection between supply and production activities. The person accessed from the Turkish branch of TME first received the details of the research and the interview questions through e-mail. He responded that the questions would need more than one person to participate, which was practically difficult to arrange due to their tight work schedule. In addition, he emphasised that the questions were mostly related to strategic decisions (e.g. selecting the suppliers, terminating the relationship with them), therefore difficult for operational-level employees to answer. Another important point regarding the relationship of Toyota and its suppliers is that the Japanese suppliers of Toyota that operate in Turkey are actually managed and controlled by their HQs in Japan, therefore they are mostly independent of Toyota. These factors showed the difficulty to access the suppliers of Toyota through the manufacturing firm's reference. Therefore, the researcher tried the alternative way of contacting the suppliers directly.

From the interviews with the purchasing staff of MAN and TEMSA, it became obvious that these firms' relationship with the suppliers varies due to product customisation distinguished as customised or standard products supplied by the supplier. Customised products require a strong coordination between the buyer and supplier during the production process. The buyer is involved in the design process of the supplier's product from an early stage of production. Similarly, in case of a problem with the supplied component, the supplier may be involved in the buyer's production to fix the problem. This suggests the integrated production of the buyer and supplier. Standard products, on the other hand, are produced for the market but not for a specific customer, therefore, production of these products does not require a close coordination between the buyer and supplier. In the exchange of such products, both the supplier and buyer are independent in their production process. This distinction was an important starting point in the selection of the suppliers. Given that the customised products require the close coordination and integrated production process, the expectation was that production of customised products results in an exchange between the buyer and supplier on the basis of skills development of shop floor employees. Due to the research aim of understanding the case-study firms' approach to skill development, the buyer-supplier relationship was framed within the potential skill-based exchange between the two parties. This, in turn, required the researcher to focus on the suppliers producing customised products for the case-study firms. She asked the purchasing staff of MAN and TEMSA to refer to the suppliers that they have a close relationship during the production process. They suggested the researcher contact the suppliers producing three types of products: body/chassis, seating

system, and auto interior trim. At the end of this process, three suppliers from each case-study firm accepted to participate in the research (see Table 4.2 for details). In the case of Toyota, as explained earlier, it proved to be difficult to access the suppliers through the manufacturing firm. The second option was to contact the suppliers directly. The researcher attempted to access several suppliers through e-mail and phone but mostly they did not reply back but only one supplier accepted to participate in the research.

**Table 4.2. The selected supplier firms involved in the research**

<b>Product type</b>	<b>The German firm's suppliers</b>	<b>The Japanese firm's suppliers</b>	<b>The Turkish firm's suppliers</b>
<b>Auto interior trim</b>	<b>Sup1</b> (Turkish-German) 60-65% production for the German firm	<b>NA</b>	<b>Sup1</b> (Turkish-German) 25-27% of production for the Turkish firm
<b>Body/chassis</b>	<b>Sup2</b> (Turkish-German) 75% of production for the German firm	<b>NA</b>	<b>Sup5</b> (Turkish) 90-95% of production is for the Turkish firm
<b>Seating system/ Seats and door sets</b>	<b>Sup3</b> (Turkish-German) 65% of production for the German firm	<b>Sup4</b> (Japanese)	<b>Sup6</b> (Turkish) 70% production for the Turkish firm

#### **4.4. Data collection**

The major tool of data collection was the in-depth semi-structured interview. In addition, company specific documents, publicly available official reports and newspaper articles were consulted. Fieldwork for data collection was executed in two phases. The first phase took place between mid-November 2014 and mid-January 2015. The main focus of this phase was on the case studies and their partner schools, accompanied by the interviews with the state agencies and industry representatives. The second phase took place from 1 September to 30 October 2015. This phase mainly focused on the suppliers of the case-study firms. In total, 31 face-to-face interviews were conducted at the case-study firms and other organisations. The interviews took place in six cities (Ankara, Sakarya, Bursa, Istanbul, Mersin and Adana) from three different regions (Central Anatolia, Marmara, and Mediterranean). Appendix 7 shows the details of the number of interviewees as well as the number of exchanges (interview through the face-to-face meeting, skype, e-mail, and phone-call) with the respondents. The following section presents in detail the whole process of data collection and the reasons for selecting the specific respondents.

##### **4.4.1. Preparation for the interviews**

The first stage of the data collection process started with the preparation of the interview questions. In this stage, several themes were identified through a review of the relevant literature and the research questions (see Box 4.1).

##### **Box 4.1. The main themes used in preparation of the interview questions**

1. Evaluation of the VET system
  - 1.1. Strengths/ weaknesses of VET system
  - 1.2. Role of stakeholders in VET
2. MNCs' engagement with the host country's VET system
  - 2.1. Adjustment to the local context and the adjustment process
3. Vocational skills demand of employers in the automotive industry
4. HR policies and practices of firms
  - 4.1. Recruitment and training
5. Suppliers-buyer relationship
6. Production-skill relationship
7. HQ-subsidiary relationship
8. Investment in Turkey

The interview questions were initially prepared and categorised by using the themes displayed in Box 4.1. The second categorization was based on different groups of interviewees. Separate question sets were prepared for different groups that are identified as MNCs, the local firm, suppliers, vocational teachers, state agencies, and industry representatives (see Appendix 8 for an example of the interview questions). A point that needs to be highlighted here is the preparation of the interview questions for the suppliers and purchasing department of the manufacturing firms (case studies). The questions were prepared as two-dimensional by translating the same questions for the manufacturing firms' purchasing departments and the supplier firms' sales departments because these two departments mainly connect the manufacturing and supplier firms. This process enabled corroboration of information provided by both parties. Skill-related questions were also added to the question sets of the supplier firms, which was already completed for the manufacturing firms (case studies).

After determination of the questions for each group, these questions were ordered to achieve a logical sequence between them. In this respect, the focus was first on the factual and descriptive questions, and then on the questions requiring more evaluation of the informants. As the next step, the questions were split by sub-headings. This was especially helpful in managing the actual interviews by tracking the questions and listening to the interviewee at the same time. After preparing the questions, the researcher double-checked the questions for the logical order, clarity, and conciseness as well as their alignment with the research aim. Checking correspondence between the interview questions and the research aim is particularly important to enhance the validity of the research findings, i.e. to ensure that the question content measures what it was intended to measure (Gray, 2017).

The questions were prepared in English, and then the final versions of the question sets were translated into Turkish. The main challenge in this stage was to prepare the questions from the interviewees' perspective by avoiding usage of academic jargon. In this respect, the researcher asked help from a Turkish colleague to control the English and Turkish versions of the questions in order to avoid language-related problems that may lead to confusion in meaning. Another challenge was to design the questions in a balanced way by making them specific enough to obtain concrete information but at the same time general enough to leave space for the interviewee to provide his/her perspective, which was achieved through the semi-structured interview method.

The second stage of data collection was the selection of the informants and the ways to access these individuals. The informants were selected through a purposeful selection method,

which will be explained below, and primarily contacted through e-mail and telephone. The researcher emailed the summary of the topics to the interviewees who agreed to participate in the research. In this way, she provided an insight to the interviewees in advance about the interview structure and content. This was especially helpful in managing the actual interview. Most of the informants were already informed about the topics to be discussed. Some informants prepared the related documents (e.g. corporate information about the case-study firms) and brought them to the interview. This avoided wasting time with descriptive parts and therefore allowed more time to focus on the evaluative points in the interview questions. The researcher selected the informants through the purposeful selection method. In this study, purposeful selection means that based on the research aim, the researcher identifies specific individuals and contacts them for the interview. But, as emphasised by Jones (2002), the researcher needs to clearly determine the criteria (e.g. demographic variables, roles within an institution, and knowledge of phenomenon under inquiry) in selecting the informants and do this in link with the research questions. In this research, the individuals' roles within the selected organisations and their knowledge on the research topic were the major factors for their selection.

In connection with the purposeful selection and given the contextual characteristics of the case study that require in-depth information about the cases, one important point is to conduct the interview with the 'key person(s)' who can provide detailed and relevant information. Researchers initiate data collection with these individuals not because of statistical representativeness but rather because they are accepted as the expert source of information, accessible, and willing to provide information on the researched topic (Gilchrist, 1992; Marshall, 1996). Key informants often play a critical role in the success of case study research (Yin, 2014). Given the limited resources for a research, efficiency is important in the selection of the key informants because they provide "in-depth information in a short time and access to information that is unavailable except from the key informant" (Gilchrist, 1992:77). Kumar et al. (1993:1634) state that "relying on key informant accounts is appropriate when the content of inquiry is such that complete or in-depth information cannot be expected from representative survey respondents". The quality of key informant interview depends on selecting the right individuals (*ibid*). Therefore, researchers need to apply careful planning and selection of key informants through a primary search to identify these people's roles in the selected organisations. In this respect, the profile of the interviewees becomes very important especially for the case studies focusing on a specific issue while discussing the relationship between the cases and their institutional context. In this research, the

interviewees from the case studies are believed to be the 'key informants' who provided extensive and necessary information, which is also confirmed by other interviewees. When asked for further information, they also forwarded the researcher to these 'key' people.

Four 'key informants' were interviewed in total from the case studies. Two of the informants were already interviewed for the researcher's master project. The researcher relied on this prior-established network and the knowledge of these people's background to identify them as the key informants for this research. The third informant was accessed through the snowball method, from the researcher's initial contact with another employee from the same firm. In accessing the fourth key informant, the researcher used her personal network through the former HR director of the company.

Regarding the profiles of the key informants, the first informant is the technical training specialist and also the head of the firm's skills training centre, having 17-year experience in skill development area. He has played an active role in the establishment of the training centre. This informant has been working with the company for 32 years as one of the most senior employees. The second informant is the assistant manager of the HR Development and Administration Department, with ten years of experience in this department and more than 20 year-work experience in the company. He is mainly responsible for recruitment, training and leadership programme, and skill development of employees at the production line. Due to the rotation principle in the company, the informant had worked in the assembly part of the plant and quality department before moving to the HR department. This background enabled him to answer the interview questions in detail not only about the skills-related practices but also about the overall manufacturing operations of his company. In addition, he has been in the home-country of the MNC for a work assignment and observed the skills training centres of HQ, which enabled him to compare the home and host country on the basis of skill development. The third informant works as the training manager in his company. He started working in the company as the technical trainer in 2009. The fourth informant is the technical training specialist, having a 15-year of work experience in his company. He has been working in the technical training unit since 2005, the year when the training unit was established. He has been actively involved in the establishment process of this unit. Therefore, he was able to answer the skill-related questions in detail. In summary, these four people were selected as the key respondents with an expertise on skill-related issues and their roles in the connection between their firms and the VET system and therefore have the extensive knowledge regarding the research topic.

In order to avoid depending on only a few individuals for the cases, the researcher used snowball approach to access other relevant individuals in the case-study firms in addition to the key informants. This was especially important for corroboration of the collected data. In this way, the researcher interviewed the HR managers and specialists (see Appendix 7). In the case of the MNCs, the researcher also attempted to interview the expatriates from the home countries who work in the case-study firms or someone who knows well about the skill-related practices in both the home and host countries. This is believed to be important for a better understanding of the home-country effect. In this respect, based on the researcher's prior knowledge, the Japanese coordinators in the Japanese MNC would be the ideal informants. However, the attempt to interview these people was not successful due to their busy schedules. In the German MNC, no expatriates were working permanently in the company except the German CFO (chief financial officer). Similar to the selection of the informants from the case-study firms, the interviewees from the suppliers of the case-study firms and other institutions were also selected on the basis of purposeful selection.

The choice of the informants from the VET-related organisations was relatively straightforward. The researcher applied preliminary research to identify the individuals' roles in their organisations and then contact those who can be possible informants for the research (see Appendix 7 for the title of the informants in each organisation). Apart from the interviews in the case-study firms and their suppliers, the state agencies, industry representatives, and chambers; the researcher conducted an additional interview with the CSR manager of the Koc Holding, one of the largest groups of companies in Turkey. The manager explained the details of their publicly well-known CSR project 'Vocational Education: A Crucial Matter for the Nation' (MLMM- *Meslek Lisesi Memleket Meselesi* in Turkish)<sup>12</sup> initiated in 2006 in collaboration with the Ministry of National Education. This interview was particularly important in the sense that the project 'MLMM' was one of the major reasons for the researcher's motivation to identify the research topic. Therefore, she wanted to learn more about the project by talking to the CSR manager and obtain broader insight on employers' engagement with the VET system in Turkey.

As opposed to the choice of informants from the VET-related organisations, selection of the informants from the suppliers was not a straightforward decision. There were two available options for interview: salespeople who coordinate with the purchasing department of the

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<sup>12</sup> This project has been conducted with more than 200 vocational high schools and 8000 vocational high school students, 20 Koc Group companies of different scales and industries, and 350 employees as volunteers. Source: <http://www.koc.com.tr/en-us/activity-fields/projects/vocational-education-a-crucial-matter-for-the-nation> (Access date: 05.03.2017)

manufacturing firms and/or HR people who are involved in employees' skill development. A preliminary investigation showed that HR people are mostly responsible for employees' training but they do not have any connection with the skill issue of the employees from the manufacturing firms. It is the salespeople who mainly connect with the manufacturing firms, so they presumably provide extensive information on the buyer-supplier relationship. Therefore, this group was selected for the interview. However, the interviews showed that these people could only provide technical information about production but that they do not have information about the skill-related issues as well as the supplier's engagement with the VET system. On the other side, as expected, the interviews with HR people of the supplier firms showed that they are knowledgeable on skill formation and the firms' engagement with the VET system while they do not know much about the buyer-supplier relationship.

#### **4.4.2. The interview process**

Interviews can be categorised into three main groups: structured, semi-structured, and unstructured (non-directive, focused, informal conversational and problem-centred interviews) (Gray, 2017). Structured interviews are mostly used for quantitative research. In this type of interview, the researcher uses pre-prepared questionnaires and standardised questions and asks the same questions to all of the informants (*ibid*). The semi-structured interview is mostly used in the qualitative research. Having a pre-defined list of the topics and questions to discuss in the interview, the researcher is flexible to add or remove questions, or change the order of the questions during the interview. This method is particularly useful when the researcher aims to probe the informant's views and opinions, and it enables the researcher to consider new pathways that are not initially considered (*ibid*). The un-structured interview is rather formed of conversational interviews in which the researcher does not follow a pre-defined question list but instead encourages the informants to talk freely. This type of interview is mostly used when the researcher wants to explore a specific issue in-depth from the informants' own perspective.

In this study, the main research method used for data collection is the semi-structured interview. This type of interview offers several benefits. First, it allows for informants' detailed explanation rather than being confined to structured questions and giving 'closed' answers for pre-specified questions (Bryman, 2004). This enables the researcher to obtain in-depth information from the informants. Pre-defined questions can be a guide for the researcher during the actual interview and provide flexibility to change the order and content

of the questions based on the interviewees' answers. Semi-structured interviews enable the researcher to consider other variables emerging from the interviews that may not be fully addressed through the pre-defined questions but may contribute substantially to understand the situation under consideration. Moreover, having a template in hand makes it easier for the researcher to manage the data analysis process in later times (Cohen and Crabtree, 2006).

Yin (2014) states that interview is the most important source of evidence in case study and lists three types of case-study interviews as prolonged case study interview, shorter case study interview, and survey interview. Prolonged case-study interview may take around two or more than two hours, "either in a single setting or over an extended period of time covering multiple sittings" (*ibid*, p.110). This form of interview is mostly conducted with the key informants and the researcher gains the opportunity to learn in detail about these informants' interpretations and opinions on the investigated phenomenon. Shorter case-study interview takes around one hour or so. These interviews may be more focused on a single issue rather than asking about other broad issues involved in the research design. This type of interview may be used to corroborate the already established findings. The third type of case-study interview is survey interview that is formed of structured questionnaires.

This study is based on prolonged interviews with the key informants from the case studies. The researcher spent around two-three hours with the informants (except one informant due to his limited time) and asked all the questions. These informants showed the production sites and skill centres to the researcher by explaining the details of skill development practices. The interviews with other informants can be considered as shorter case study interviews as they mostly took around one hour or less than one hour.

The data collection process consisted of two phases. Phase one involved 20 face-to-face interviews in 13 institutions including three case-study companies, vocational schools, and employers' associations and trade union in the Turkish automotive industry. The interviews were conducted with HR managers, technical training specialists, vocational teachers, and people having administrative positions. A snowball method of selection was used to gain access to the teachers of partner schools, the staff of purchasing department of the case study firms, and sale department of the supplier firms. In phase two, which took place nine months after phase one, the researcher conducted 11 face-to-face interviews. Data collection in this stage mainly focused on the case-study firms' skill-based relationship with their suppliers through the interviews with the purchasing staff in the case-study firms and sales staff in the supplier firms. The email-interviewing method was used for those participants who could not arrange their schedule for a face-to-face meeting. However, data collected through this

method was not as detailed as expected. Institutional documents provided by the interviewees were also used as a secondary source (see Appendix 7).

In addition to the interviews conducted in the first and second phases of fieldwork, in the later period of the thesis, the researcher had the opportunity to have a skype-interview with an employee working as an engineer at Toyota who formerly worked at MAN. This additional interview proved useful for two reasons. It served as corroboration of information provided by other respondents from the case-study firms. Also, the interviewee was able to compare the corporate characteristics and production systems of the two companies, although he did not have the knowledge of the firms' relationship with the VET system.

Follow-up contact with the informants became essential particularly in data analysis process when the researcher needed further explanation or clarification on a specific aspect of the data to articulate the findings of the research. Checking the findings with the informants in this way is especially important in the enhancement of research validity (Hartley, 2004). In addition, the researcher drew on secondary data (the selected companies' official websites, publicly available reports, and media news) to corroborate the collected data.

The interviews lasted between 45 minutes and 120 minutes, except six interviews that lasted for 20-30 minutes due to the informants' tight schedule. The researcher visited all the informants at their workplaces. Due to possible ethical concerns arising from inviting the individuals to participate in the research, she requested the informants to read the informant sheet and fill the consent form before the interview started. In the initial step of contacting the possible respondents, the researcher already sent the informant sheet to them and shared the agenda of the interview. This procedure was essential to protect the confidentiality of the researched organisations and privacy of the informants.

All interviews were conducted in Turkish and audio-recorded except eight interviews for which the interviewees did not give their consent to be recorded. Therefore, the note-taking method was used for these interviewees. But this method slowed the pace of the interview as well as its flow. It was challenging to undertake a number of tasks simultaneously in a limited time: asking questions, listening and noting down the answers, and asking the next question. The researcher also kept a research diary during the fieldwork to remember the key points and context of each interview. This diary method was helpful for remembering the environment and some details that could not be recorded via voice recorder. As emphasised by Newbury (2001), the diary method plays a facilitating role for the researcher to record the observations, thoughts, and questions during the fieldwork period and it enables the researcher's reflective thinking.

Although the overall data collection process was mainly achieved as planned, the actual interview process was not without challenges. These challenges can be categorised into four groups: characteristics of the participants, assessment of the interview questions, the environment of actual interviews, and follow-ups. The participants were mostly eager to talk and give details while answering the interview questions. However, some of them were less talkative. They tended to give short answers with general comments rather than giving specific examples even though the researcher encouraged them to do so by asking the questions in different ways. Moreover, it was sometimes challenging to receive the direct answer to a question. Some participants gave irrelevant or vague answers to some of the questions. In such situations, the researcher had to intervene and ask the question in a different form or move to another question, which is one of the advantages of the semi-structured interview as it provides flexibility. Being aware of the possibility of such problems required good preparation before each interview and being alert during the interviews by constantly checking whether the participants were giving the relevant answers to the questions. In this respect, Patton (2002) emphasises three important points that researchers should pay attention: knowing what the interview is looking for, asking the right questions, and giving appropriate verbal and non-verbal feedback.

Time limitation was also a challenge that can be linked to the characteristics of the participants. People in managerial positions in particular were able to allocate very limited time for the interview. In such cases, the researcher faced the trade-off between asking all the questions defined but getting superficial answers, or asking a few questions and getting detailed answers. Most of the time, the second option was chosen, as the broad objective was to achieve in-depth understanding of the research topic by interviewing the person who is knowledgeable in a specific area.

Another challenging area was the interview questions. The questions proved to be clear in general as the researcher did not encounter any serious communication problem while asking the questions and receiving the answers. However, there were two specific questions to which the majority of the participants gave only short and vague answers. These questions were:

*Q1. Is there any subsidy/incentive of the state particularly for the automotive industry?*

*Q2. What about political parties and the government's awareness of skill issues? Do they really support the skill development issues?*

Regarding Q1, the participants mostly could not provide elaborate answers in detail, as they did not know much about the topic. Regarding Q2, on the other hand, the perception was that

some participants did not feel comfortable to talk about political issues and therefore did not want to provide detailed or critical comments.

The third challenging area is the interview environment. It was not always possible to interview in a silent place and have the participant fully focused on the interview questions. For example, one participant was working in an open office with more than 10 people. It was not easy to have a focused interview in the noisy environment of the office. In addition, the participant's phone was ringing so often that the researcher had to stop the interview several times, which influenced the interview flow negatively.

The fourth challenging issue concerns follow-up contact with the participants. During the interviews, the researcher already informed the participants in terms of contacting them in later periods to ask further information or for clarification. But some informants changed their department or even workplace after the interviews took place. In this situation, it was difficult to access another related person and receive information from him. Therefore, the researcher chose the alternative option of finding a secondary source of information from the companies' official websites and publicly available reports.

#### **4.5. Data analysis**

Analysing case-study data remains difficult due to a lack of well-defined techniques (Yin, 2014). Actual analysis requires a preliminary step of examining the data carefully and searching for particular patterns and concepts to determine what is important and why (*ibid*). For this, Creswell (2007) suggests the sequential steps of identifying a text, assigning a code label, and searching through the database for all text segments that have the same code label. Following a similar path to the broadly defined strategy in the literature, this research started the process of data analysis with transcription. The audio-recorded interviews were transcribed verbatim manually. After the transcription process was completed for all the interviews and the transcribed texts were combined with the fieldwork notes, the next step was the translation. Several decisions deserved attention before the translation process. The first decision was the execution of translation by the researcher instead of using a professional translator. One major issue regarding this decision was the context-based nature of the research applying the case study method. The translator may not be able to translate the research context while translating the transcribed data unless he/she is familiar with this context. Translation of the context here refers to the inclusion of both the tacit knowledge of the research environment and the fieldwork notes into the translation of transcribed text.

Under these conditions, using a translator may result in losing substantial details of information. At this point, the background of the researcher undertaking the role of translator becomes important. In this study, the researcher, as a native speaker of Turkish (the language used in data collection) and as a student studying in English for more than 10 years (4 years in the UK), managed to conduct the research in both languages. However, as Temple and Young (2004) warn, this does not guarantee the ‘truth’ of the final text as the researcher is situated to the languages in question. It is essential to acknowledge the absence of a neutral position in translation if the researcher is the same person who translates the collected data (*ibid*). Taking this issue into consideration, the researcher showed a few pages of the translated text (disguising the identity of the informants and organisations to protect confidentiality) to a Turkish native-speaker colleague who has studied in English and has familiarity with the language of the research field. This was particularly helpful in order to ensure the quality of the translation. Another major issue in the sense of using a translator is that recruiting an eligible translator who is familiar with both the research topic and the research context is practically difficult and also expensive given the limited time and funding allocated to the research. Moreover, the small number of interview transcripts (not large datasets formed of hundreds of pages) in this study enabled the researcher to handle the translation of all the transcribed interviews and fieldwork notes. As proved in this study, one major advantage of having the researcher undertaking the role of the translator is that she was able to remember the specific conditions of each interview. She also became more involved with the data in the translation process. These two situations were especially helpful in making sense of the transcribed text at the later stages of data analysis and discussion of the study’s findings.

The second decision regarding the translation process was the form of translation. Shreve (2006) refers to two major forms of translation as verbatim and summary. Translating the whole text word-by-word, verbatim translation may provide more details about the data. However, this form of translation does not guarantee to capture the meaning of data. There is also the risk of wasting time with unimportant details. In addition, the researcher may become too lost in details and therefore struggle in capturing the big picture. Summary translation, as opposed to the verbatim form, rather focuses on the most important elements of a text. It means that the translator should carefully go through the text several times to determine the important and relevant sections. In this respect, summary translation is mainly based on a specific cognitive strategy defined as ‘relevance judgment’ (Endres-Nieggemeyer, 1999). By using the relevance criteria, the translator omits the irrelevant parts of the text. This requires

substantial involvement of the translator with the text in question and using the strategies of ‘reductive semantic filtering’ and decision-making, which may not be present in verbatim translation (Shreve, 2006).

The research aim and methodology are essential factors in the choice of the translation form. This research is mainly interested in the broad themes such as ‘the Turkish VET system’, ‘MNCs’ role in the VET system’, ‘vocational skills development’, and the contextual elements provided by the informants regarding these themes. Putting this into different words, the research does not focus on the intonation of the responses or frequency of some particular words used by the informants. Therefore, the majority of the transcribed text was translated in a summary form of translation by using the criteria of ‘relevance’ and ‘importance’. The limited time was also influential in this choice. Nevertheless, the researcher also used verbatim translation especially for interesting and important quotes of the informants. One major challenge in the actual translation process was the generation of a meaningful piece of translated text making sense to readers. The supervisors provided further feedback on the translated text, which was helpful in ensuring the validity of translation. They checked the text several times and asked for further explanation whenever they struggled to understand a specific part of the text. This encouraged the researcher to check the translated text constantly by comparing with the original data until it made sense to the readers.

After completing the translation process, the next step was the process of data analysis. Four types of approaches are possible in the analysis of the qualitative data: content analysis, discourse analysis, grounded theory, and thematic analysis (Cassell and Symon, 2004). Content analysis is designed for searching and counting certain words that respondents speak in interviews. Discourse analysis is chosen when the researcher is interested in the language and how respondents use it. The third approach, grounded theory, is appropriate when there is insufficient theory relevant to the research topic; therefore the researcher expects to develop a theory after the data analysis. Lastly, thematic analysis is designed for data generated through thematically organised questions to answer a broader research question. The research aim is a key determinant to decide a specific approach in data analysis. The aim of this research, which is the exploration of the relationship between MNCs and the Turkish VET system, encouraged the adoption of thematic analysis. The interview questions were already designed under the headings of pre-defined themes according to the main aspects of the research questions and core concepts emerging from the literature, which enabled the researcher to conduct and manage thematic analysis.

After determining the technique of data analysis, the researcher focused on the actual analysis process. First, she identified the broader research domains in connection with the interview questions and the collected data. At this step, she carefully read the whole transcript (both the original and translated documents) several times to identify the important themes coming forward (Table 4.3). Boyatzis (1998:161) defines a theme as “a pattern in the information that at the minimum describes and organises the possible observations and at maximum interprets aspects of the phenomenon”. There are three possible ways to develop a theme in qualitative research: data-driven inductive approach, the deductive approach through a priori of code templates, or a combination of both (Boyatzis, 1998; Crabtree and Miller, 1999; Fereday and Muir-Cochrane, 2006). In the inductive approach, themes are determined through examining the data. Creswell (2007) refers to the dominantly inductive nature of the qualitative research and states “during the data analysis, the researcher follows a path of analysing the data to develop an increasingly detailed knowledge of the topic being studied” (*ibid*, 19). In the deductive approach, on the other hand, the researcher uses a priori of code template prepared before commencing in-depth data analysis (Fereday and Muir-Cochrane, 2006). As highlighted by Gray (2017), inductive and deductive approaches are not mutually exclusive and if necessary, they can be used together in identifying the themes, as it happened in this research. Although some themes were already determined by the interview questions and literature, some of them emerged from the collected data. This hybrid approach combining deductive and inductive approach enables both guided coding and flexibility simultaneously by allowing for themes to emerge directly from the data using inductive coding.

**Table 4.3. The research domains and themes**

Main research domains	Themes& sub-themes
<p><b>The Turkish VET system</b></p>	<ol style="list-style-type: none"> <li>1. Governance               <ol style="list-style-type: none"> <li>a. Planning, policy-making, monitoring</li> <li>b. The decentralized/centralized VET policy</li> <li>c. State-led vs. multi-stakeholder decision-making mechanisms Role of stakeholders</li> <li>d. Coordination among the state’s institutions</li> <li>e. The VET system’s importance/priority for policy-makers (priority in their agenda)</li> </ol> </li> <li>2. Financing of VET</li> <li>3. Status of VET (perception in the society)</li> <li>4. Types of VET (school-based VET, workplace-based {dual} VET system)</li> <li>5. VET curriculum</li> <li>6. Historical perspective (comparison of the present VET system with the era of 1980s-1990s)</li> <li>7. Certification of skills Credibility of the certificates</li> <li>8. On-going contradictions/problems               <ol style="list-style-type: none"> <li>a. Quality of the VET system</li> <li>b. Skill deficiency</li> <li>c. Insufficient supply of qualified employees</li> <li>d. Absence of thorough planning</li> <li>e. Communication problem among social partners (ineffective communication)</li> <li>f. Absence of coordination among policy-makers/the state agencies</li> <li>g. Negative perception of the VET system</li> </ol> </li> <li>9. Quality of teachers               <ol style="list-style-type: none"> <li>a. Teachers’ training</li> </ol> </li> <li>10. Physical facilities of education institutions</li> <li>11. VET students/graduates               <ol style="list-style-type: none"> <li>a. Selection of students to vocational schools</li> <li>b. Background of the VET students</li> <li>c. Transition from school to work Career options/paths for the VET graduates</li> <li>d. Assessment of the graduates (e.g. competency, skill level-technical skill, and basic skill)</li> </ol> </li> </ol>

	12. Suggestions (of the informants) for improvement of VET
<p><b>Engagement of firms (MNCs&amp; local) with the VET system</b></p>	<ol style="list-style-type: none"> <li>1. Relationship with the state (Collaboration, coordination, alignment with the regulations)</li> <li>2. Legal requirements imposed on employers</li> <li>3. Firm-specific vs. nationally standardized skills practices</li> <li>4. Transferability of skills</li> <li>5. Engagement with different groups: <ol style="list-style-type: none"> <li>a. VET students</li> <li>b. Recruitment of VET and non-VET graduates</li> <li>c. Social partners</li> </ol> </li> <li>6. School-workplace partnership <ol style="list-style-type: none"> <li>a. Internship (on-the-job training)</li> <li>b. Establishment of laboratories (firm-sponsored classes)</li> <li>c. Improvement of education facilities, financial support</li> <li>d. Teachers' training</li> </ol> </li> <li>7. Embeddedness in the host country environment</li> <li>8. Organisation of in-firm training</li> <li>9. Factors shaping firms' engagement <ol style="list-style-type: none"> <li>a. Business strategy</li> <li>b. Corporate influence</li> <li>c. Functional integration</li> <li>d. Home- and host-country effect</li> <li>e. HQ-subsidiary relationship</li> <li>f. Institutional difference between home and host country</li> <li>g. Production model and product type</li> <li>h. Individual actors' motivation</li> </ol> </li> </ol>
<p><b>Buyer-supplier relationship</b></p>	<ol style="list-style-type: none"> <li>1. Product type (standard, non-standard)</li> <li>2. Suppliers' expertise</li> <li>3. Geographical location of the buyer and supplier</li> <li>4. The suppliers' dependency level to the buyer</li> <li>5. Integration level of production</li> <li>6. Support for production system</li> <li>7. Support for skills development</li> </ol>

The researcher went through the coding process by using the themes listed in Table 4.3. Two options are available for coding. It can be done either manually or by using special software programmes. Both techniques have their advantages and disadvantages. Software programmes offer effective data management (coding, categorizing, and retrieving) for especially large datasets (Yin, 2014). They offer flexibility and functionality by providing several tools for exploring and finding patterns in data from interview transcripts (Gray, 2017). ‘The concept mapping’ feature of these programmes enables the researcher to visualize the relationship among the codes and themes (Creswell, 2007:165). However, one major disadvantage of software is that it may create a ‘technical barrier’ between the researcher and data, leaving less room for the researcher to engage with the data when compared with manual coding (*ibid*). Patton (2002) especially warns against using the software in dealing with the case-study data as the contextual characteristics of each case study incorporate not only informants’ responses but also several complex elements emerging in a real-world context. As emphasised by Yin (2014:135), “unless the researcher converts all of the available evidence- including the field notes and the archival documents collected- into the needed textual form, computerized tools cannot readily handle this diverse array of evidence”. Moreover, the outcomes generated through software programmes do not make sense by themselves and still require the researcher’s involvement in determining the patterns to connect the outcomes with the original research design (*ibid*), especially in the context of a limited number of interviews.

Given the advantages and disadvantages of the software programmes, this research adopted the manual coding approach due to several reasons. One major reason is the requirement of tacit knowledge of understanding the context of the research topic as the research is mainly based on three case-study companies’ behaviours in the context of Turkey’s VET system. Another reason is the language issues. The software programmes are mostly designed in English whereas in this research the language of collected data is Turkish. In this situation, putting the translated data into software may result in more loss than gain. In addition, as highlighted by Creswell (2007), manual coding enables the researcher to engage more with the data, in the context of a limited number of interviews. The software may surpass the manual coding in terms of efficiency due to its ability to execute coding and produce outcomes in a shorter time. However, the small volume of datasets in this research still enables coding manually.

Adopting the manual coding approach, the researcher first printed all the interviews that were already transcribed and translated. Coding was done on both the original (Turkish) and

translated transcripts. Then the researcher compared the two forms of coded texts with each other to check whether they have substantial differences. This was important in ensuring the reliability of the coding process. The themes listed in Table 4.3 were used in coding. Then the data were classified according to these themes. In this thematic classification, the researcher compared the informants' responses within the six groups as seen in its simplest form in Table 4.4.

**Table 4.4. Comparison of the informants' responses within different groups**

	Theme 1	Theme 2	Theme 3	.....
Case-study firms (MAN, Toyota, Temsa)				
The state agencies				
Chambers				
Vocational teachers				
Industry actors				
Suppliers				

This classification was helpful in many ways. First, it enabled comparison of the case-study firms on particular themes to explore their similarities and differences. This is known as 'cross-case synthesis', a technique to analyse multiple cases by "creating word tables and displaying the data from the individual cases according to one or more uniform categories" (Yin, 2014:165). Second, the informants' responses on several issues were compared and contrasted by examining the categorised data displayed in Table 4.4. This was especially helpful in examining the similar and different opinions of the informants within the same group and across different groups. The table enabled the researcher to observe that there are different opinions within the same group on a particular theme (e.g. governance of VET) whereas the informants from different groups share similar views on the same theme. This required the researcher to avoid the assumption that all the informants in the same group share the same approach towards a theme, but rather to examine the individual informants' responses carefully to understand the reasons for their different positions. As expected, the

data analysis process showed that not all the informants have knowledge or opinion for each theme identified in Table 4.3, but they provided information on the themes they are the expert on or have an idea.

In summary, such a preliminary creation of a coded data set by preparing a table of themes and placing data within these themes was very helpful before moving to the step of data analysis and making sense with the raw data. The researcher used the themes as the framework to organise the collected data and compare the case studies as well as the interviewees' responses on a particular issue or theme. Quotations of the informants were also used to support or illustrate the themes. As a means of quotation reference used in findings of the study, Appendix 9 provides the code list of the informants who were involved in the interviews. The listed codes allow guidance for the reader while preserving confidentiality for the informants.

An important step after determining the themes and categorising the data according to these themes is the organisation and discussion of the data in the empirical chapters (what specific data to focus on each empirical chapter). In this respect, the first two domains (“the Turkish VET system” and “firms’ engagement with the VET system”) displayed in Table 4.3 were directly translated into the empirical chapters as the available data provided rich insight regarding these two domains. But the limited information on buyer-supplier relationship resulted in the integration of this domain to the chapter of “firms’ engagement with the VET system” especially in the part discussing the firms’ in-firm training practices. On the other side, the theme “factors shaping firms/MNCs’ engagement” as highlighted in the domain of “firms’ engagement with the VET system” in Table 4.3 was examined as a separate chapter because the data categorized within this theme was too rich in depth and scope to squeeze into the chapter of “firms’ engagement with the VET system”. Box 4.2 briefly shows the connection of research domains, empirical chapters, and research questions. The data analysis process was finalised with the interpretation of the findings. In this stage, the researcher compared the research findings with the related literature to examine whether the findings confirm other studies or show conflicting differences.

## **Box 4.2. The research domains- empirical chapters- research questions**

### **CHAPTER 5:**

#### **The characteristics and challenges of Turkey's VET system**

##### **(The host country's institutional context)**

RQ1. What are the characteristics and challenges (contradictions) of the Turkish VET system?

### **CHAPTER 6:**

#### **Engagement of the Japanese, German, and Turkish firms with the Turkish VET system**

RQ2. How do employers (MNCs and domestic firms) engage with the VET system in Turkey?

- How do legal requirements shape employers' engagement?
- How and to what extent do different firms develop unique policies in response to these legal requirements?
- How do MNCs influence the Turkish VET system?

### **CHAPTER 7:**

#### **Factors influential in firms' engagement with the VET systems**

RQ3. Why do MNCs reveal different behaviours in the shared context of the host country, if they do? (In other words, what factors are influential in shaping MNCs' different engagement with the host country's VET system?)

## **4.6. Summary and limitations**

This chapter explained what specific data are required to answer the research questions and the rationale behind the specific choices for the data collection process. The study concerns three case studies with one German, one Japanese, and one Turkish firm operating in the Turkish automotive industry to understand these firms' relationship with the Turkish VET system. Due to the contextual nature of the case study, the research includes other actors (the state agency, industry chambers, industry representatives, and vocational teachers) in order to better understand the institutional context of the VET system and the role of employers. The researcher contacted the related individuals from each organisation through purposeful selection method. Data were collected through semi-structured interviews. All the interviews were conducted in Turkish. Data collection was followed by data analysis. The analysis process formed of three stages: transcription of recorded interviews and field notes,

translation into English, and actual analysis. The researcher applied thematic analysis to examine and interpret data.

Although the collected data were sufficient in answering the research questions, the research has a number of potential limitations. First, it focuses on a specific context including country, industry, topic (skills development and VET), and a limited number of case studies with certain characteristics (ownership type, home country). But in accordance with institutional characteristics of the study, these issues were considered as important. Therefore, transferability of the lessons learned from this study provides theoretical generalisation for the future studies as well as the study's contribution to the related body of literature.

The qualitative case studies of this research can be extended and even complemented by large scale quantitative survey research by including other MNCs with similar and different characteristics (home country and ownership type) in the automotive industry or other possible industries to obtain a broader picture of the position of MNCs in the industry-education relationship in Turkey.

Analysis of this research is limited to VET for the automotive industry. Therefore, it is essential to be cautious in interpreting data derived from the automotive industry and reflecting on the national VET system through this industry. It does not reflect the contextual characteristics of other industries.

The other issue that needs further examination is internal validity. The researcher conducted the interviews with the key informants from each organisation. Nevertheless, the limited number of interviews from the organisations was a challenge for a thorough triangulation. Future studies can extend this research by including more people from the same organisations to enhance the validity of the findings. The third limitation relates to the conditions of the data collection process. In general, the interviewees were keen in talking about the VET system but at times some interviewees provided limited information due to several reasons (e.g. commercial confidentiality, time limitation, and political turbulence). Some interviewees did not want to talk frankly about the problematic areas regarding the VET system or the relationship between the state and other social partners. This resulted in reliance on secondary sources (publicly available reports and media news) to obtain more information.

## **Chapter 5- The Characteristics and Challenges of Turkey's VET System**

### **5.1. Introduction**

Chapter 3 exhibited how Turkey's VET system has characteristics that indicate a state-led governance and funding despite the employers' financial assistance. The chapter also presented a snapshot of the system encompassing the dominance of school-based VET as the primary place of training for VET students, a weak status of VET, and the challenging transition from school to work. The last issue, in particular, was discussed in connection with the concept of 'skill mismatch', which inspired the research problem. Skill mismatch has proven to be a shared concern of the state and employers so much so that both groups have initiated and pursued several attempts to fix this problem.

Building on Chapter 3, this chapter is driven by the following research question: What are the characteristics and challenges (contradictions) of the Turkish VET system? The chapter intends to comprehend the system's institutional setting in this regard through an analysis of the evaluation and perception among different groups of social actors. The empirical evidence encompasses data collected from the interviews with representatives of five stakeholders: firms (manufacturing case-study firms and their suppliers), industry chambers, industry actors (employer associations and trade unions), state agencies, and vocational teachers.<sup>13</sup> The discussion is further enhanced through comparative examples of other state-led countries (e.g. France, UK, and Korea) in the literature to perceive whether these countries also share identical characteristics and challenges.

The main argument of this chapter is that given the fact that Turkey has a state-led VET system, the state does not sufficiently enable the involvement of stakeholders in the system's improvement and it results in ambiguous roles of other social actors and poor performance of the system. This, consequently, can be considered as one of the major impediments against overcoming the skill mismatch problem.

The chapter is structured as follows. The first section examines the characteristics of the state-led VET system in Turkey by focusing on the state's role and social actors' involvement. The second section provides an extensive analysis of the on-going contradictions and problems of the system. The next section extends the discussion by comparing Turkey with other state-led countries. This section provides understanding of

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<sup>13</sup> Further explanation of why five categories are evaluated is presented in the methodology chapter.

whether the state plays different roles in different contexts and it focuses on the similar characteristics as well as different concerns of the state-led countries.

## **5.2. The characteristics of Turkey's state-led VET system**

This section discusses the major characteristics of the state-led system in Turkey by drawing on the perceptions of the informants. These characteristics are examined through two major issues emerging from the interviews: the state's role and social actors' involvement in decision-making, and the importance of VET as a national policy.

### **5.2.1. The state's role and social actors' involvement in decision-making**

Lloyd and Payne (2004:215) define the state as “the key transformative agency cited within the skills literature”. Rejecting the view of treating the state as a homogenous entity, they emphasise the importance of recognising “the conflict and power relations operating within the state to grasp what forces influence the state or how change can take place” (*ibid*, 216). Ashton and Green (1996:40) also view the state as an arena “where different class interests are struggled over”. But they argue that workable consensus may still exist between the ruling government and leading employers if the country follows a high skills route. Considering this in the Turkish context, it is seen that the discourse revealed in the national strategy reports is towards the adoption of a high skill route (e.g. the Vocational and Technical Education Strategy Document and Action Plan: 2014-2018). This would suggest a consensus between the state and other social actors as well as the state's encouraging role in social actors' involvement in decision-making. In this respect, however, the empirical evidence from this study shows two different perspectives on the role of the state. One perspective suggests that the state plays an ‘enabling’ role in terms of promoting the participation of other social actors. Another perspective refers to the state's ‘crowding-out’ role through weakening and disincentivising other actors' engagement through actions associated with centralised state power (Aghion, et al., 2011).

The group having the perspective on the state's enabling role (predominantly the informants representing the state agencies, chambers and one informant from employers' association and an individual firm) indicated that the state has become more open to the inclusion of stakeholders in decision-making processes. Drawing attention to a possible tendency towards decentralisation, for example, one representative from the employers' association said:

*“Social dialogue is there. When the state needs to make any change in regulation, it primarily appeals to the official consultation process by gathering related stakeholders in the National Education Council. The state discusses changes in such platforms. Through Provincial Employment and Vocational Education Board (PEVEB) in which employers and employees are also represented, it receives feedback from stakeholders.” Ind2*

A similar comment on the state’s enabling role came from a representative of the Chamber of Industry. He stressed the existence of several platforms that provide room for local actors’ active involvement in the VET’s governance. One example given in this respect is the identification of the PEVEB as an important local governance actor that enables the stakeholders to discuss and decide on the skills needs of the industry at the local level. It brings together several stakeholders including chambers of trade and industry, municipalities, employer associations, and trade unions. Establishment of this institution is perceived as an important step in the decentralisation of the system’s governance to the local level (see Chapter 3 for further elaboration). One of the firm representatives also highlighted the tendency towards decentralisation. The argument is that the state has become more open to direct collaboration between schools and firms as it has allowed the firms to be involved in discussing policy decisions regarding this collaboration. The state also encourages the private sector in terms of founding their own vocational schools, and thus leaves substantial room for employers to design their own agenda of skills development in line with the changing skills needs. The agreement signed between the MoNE and MoSIT in 2012 can be considered as an important development in this respect. It offers an incentive for employers to establish private vocational schools in organised industrial zones. According to the statistics of the MoNE, the number of private VET schools has increased around nine fold since 2011-2012 (see Table 5.1), which can be interpreted as the successful outcome of the agreement. Nevertheless, the question remains as to examine the level of these schools’ freedom to follow their own education programme in order to conclude that the state plays an enabling role in this sense.

**Table 5.1. Number of schools, students, and teachers in VET funded by private sector**

	<b>2011-2012</b>	<b>2015-2016</b>
<b>Private VET schools</b>	45	419
<b>Students</b>	4348	99217
<b>Teachers</b>	689	8604

**Source:** National Education Statistics (2011-2012; 2015-2016)

The state representatives also confirmed the state’s enabling role and stressed the stakeholder cooperation and influential role of social actors in shaping the VET system. For instance, a senior-level official in the MoNE claimed that the ministry shares responsibility and authority with the private sector. The ministry tries to achieve this by meeting with the actors of the private sector in several platforms (e.g. annual congresses and workshops organised by the state in collaboration with the industry) where they discuss VET policies and contemporary problems of the system. These platforms seem to be important opportunities where the actors of education and industry meet and make decisions and suggestions that are expected to influence the VET structure. For example, the ‘tenth development plan: restructuring the VET policy (2014-2018)’ is an important outcome produced through the collaboration of industry and education with an aim of adopting a participatory development approach (see Kalkinma Bakanligi, 2014; MoD, 2014). One of the targets highlighted in the plan is “active involvement of private sector and occupational organisations in the administrative and financial process of vocational education, and private sectors’ efforts to open education institutions will be encouraged” (MoD, 2014:33). Among the members of the commission preparing the VET section of the plan are individual firms, NGOs, universities, officials from several ministries and other state agencies, and industry agencies. An interesting point is that MESS (the Turkish Employers’ Association of Metal Industries) Education Foundation is the leading institution of this commission, which can be interpreted as the sign of decentralisation. But the question yet remains to be answered regarding the existence of any clear ‘road map’ on how to implement the plan in practice and implications of this plan on upgrading skills due to its basis of a long-term perspective in line with the 2023 targets (centenary of the Republic of Turkey).

A similar comment came from the informant representing the Vocational Qualifications Authority (VQA) regarding the state’s enabling role. Even if the VQA, as a state agency, is the coordinator of qualification and certification process, the argument is that it is the social

actors who operationalise the process of setting qualifications and providing certificates. Sectoral committees, consisting of the members from the related ministries and state agencies, employer associations and trade unions, provide their suggestions in setting the vocational standards and qualifications. The board of directors (BoD) of the VQA then makes the final decision and approval of the standards and qualifications. Similar to the sectoral committees, the BoD is equally represented by the stakeholders from the state, employer association and trade union (MYK, na).

The comments and examples introduced above suggest that although the state plays the leading role in driving the skill system, it does not exclude stakeholders but on the contrary, it seems to step back, open space for their involvement, and consider the stakeholders' feedback. However, it is necessary to be cautious in interpreting the comments reflecting the perspective on the state's enabling role. Support for this perspective is strongly related to the interviewees' position in their institutions and these institutions' role within the VET system. It is not surprising that the informants representing the state agencies view the state's role as enabling. However, there are a few informants from the industry who also perceive that the state becomes willing to delegate autonomy to other social actors. For example, one informant in this group is responsible for CSR projects in a large Turkish firm carrying out the well-known project 'VET is a country issue' in collaboration with the MoNE. The other informant is a representative of employers' association. He has been involved in several VET projects in collaboration with the state agencies. Both informants have been therefore in relatively close connection with relevant VET actors in the state. It is apparent from the interviews that they have substantial information on the state's on-going projects and future plans.

In contrast to the perspective of the state's enabling role, another perspective argues that the state crowds out the involvement of other stakeholders through its dominant position. The technical teachers predominantly adopting this perspective stressed the state's controlling role in regulating every single activity including the VET curriculum, teachers' assignment to schools and salaries, and school-industry partnerships. This is not surprising because of the role allocated to the state in the Law of Unification of Educational Instruction (*Tevhid-i Tedrisat Kanunu- 1924*). According to this law, "the MoNE is commissioned with the duty of reaching the goals set for the Turkish National Education on behalf of the state" (MoNE, 2005:10). The implication of this law is that the state determines and controls any education-related decision and practice. In this highly state-controlled environment, other social actors are expected to play a rather supporting role in the delivery of education without being strongly influential in shaping the system. In this respect, the shared concern of the

interviewed teachers is that hardly any room is left for stakeholders' involvement in driving the VET policies. Some of the quotes from the teachers exemplify the situation:

*"There is a military structure and hierarchy in the Turkish education system. This started to be broken, but still exists today." Sch4a*

*"The state shapes the system...the state's regulations shape every education activity and sometimes even limits actors' initiatives." Sch4b*

Representatives of individual firms confirm the evaluation of teachers. A manager highlights the level of centralisation as follow:

*"Vocational high schools are subject to the supervision of Ministry of National Education. The Ministry directly controls their curricula... Everything related to the national VET system is centrally controlled by the state... It has been too centralized. Therefore, everyone looks to the top for any attempt." F2a*

Another manager who had the opportunity to examine the VET system in Germany provided a comparative evaluation of Germany and Turkey in terms of the state's role and the relationship between individual firms, vocational schools, and chambers by stressing the issue of flexibility. In this respect, the quote below indicates how flexibility is an important characteristic of Germany's VET system that enables stakeholders' participation whereas the rigid structure of Turkey's VET system does not offer such an environment for the stakeholders.

*"In Germany, the state is more flexible than us. Firms and 'Berufsschule' (vocational schools) have a close cooperation. They respond quickly to the changes. 'Industrie- und Handelskammertag (IHK)' (Chambers of Industry and Commerce) are in a close relationship and constantly communicate with each other and firms. The chambers are entitled to take proactive steps and make prompt decisions... In Turkey, there is no close relationship and cooperation among firms, vocational schools, and chambers." F1a*

There are thus two opposing views perceiving the role of the state in Turkey as either enabling or crowding out. However, based on the informants' implicit assumptions, it can be suggested that regarding the state's role, a distinction exists between the initial and further VET in the Turkish context. In the initial VET that covers individuals' skills development

before entering the labour market, the state plays a dominant role in designing and funding the VET. On the other hand, in the further VET (adults' training after they start working life), social actors are more influential by setting the vocational standards and qualifications at the sectoral and national level and carrying out certification. In other words, in the initial VET, the state provides less room for social actors' involvement; while in the further VET, it appears to be willing to step back and incorporate other social actors into the system.

### **5.2.2. Importance of VET as a national policy**

A related issue regarding the characteristics of a state-led VET system concerns the strategic importance of VET perceived by governance actors as the major policy-makers. Again this issue inspired contrasting views in the interviews. On the one side were those who argue that the governance actors are well aware of VET's importance and take the necessary steps to improve the system. As expected, this is the same group viewing the state as playing an enabling role. But interestingly, one informant from the trade union, focusing particularly on qualification system, stressed that in the past the state actors would approach VET as an optional issue whereas today the system has become a country policy and included all related stakeholders in the decision-making process. Confirming this argument, a senior official from the MoNE was very confident about the governance actors' awareness of VET's importance, especially when compared with the situation of ten years ago. This can be considered in line with the issue of a discourse of the strategic reports as well as the policy makers. For example, 'the tenth development plan (2014-2018)' is an important document for national policy and treated as a milestone for 'the 2023 vision'. This plan, based on the motto 'Qualified People, Strong Society', highlights the importance of VET, the necessity of revising national VET strategy, and restructuration of the VET system (MoD, 2014:29). Another important document is 'the VET strategy document and action plan of Turkey (2014-2018)' that stresses the priorities for improving the quality of VET in Turkey (MEB, 2014). In addition, the state has recently released a public advertisement 'vocational education for a strong Turkey' that emphasises the importance of VET for both employers and employees (MEB, 2017a) and aims to enhance VET reputation. Not only the discourse of the official documents, but the discourses of policy-makers also seem to be a measure in revealing the importance of VET, as illustrated by the following quotes:

*"The sentence 'education is imperative' is insufficient. Qualified vocational education is imperative. It is essential to teach an individual how and where*

*to use the knowledge that he has received.”* The Prime Minister of Turkey (2016)<sup>14</sup>

*“Turkey has been going through a truly ‘silent revolution’ in vocational and technical education and this school (founded by Ankara Chamber of Industry) is one of the most beautiful examples...”* The Minister of National Education of Turkey (2016)<sup>15</sup>

*“This year, the budget allocated to VET by the MoNE was increased eleven fold when compared to the budget of 2002. This reveals the importance ascribed to VET.”* General Director of the VET Department, the MoNE (2016)<sup>16</sup>

However, contrary to those who claimed that policy-makers care about the VET system, the majority of the informants in this research stressed that the governance actors do not prioritise VET. Several possible reasons could be discussed in this respect such that the state’s agenda is busy with more vital problems such as international conflict, refugee crisis, and political problems in the country. The major claim is that the governance actors often talk about how much VET is important for the country’s development, but there is not any concrete action proving their awareness about the seriousness of the VET-based problems. A related argument came from a representative of employers’ association. He stated that the lack interest and motivation of the governance actors in VET push individual employers to develop their internal skills systems to deal with the skill-related problems. This is confirmed by the HR specialist in one of the case-study firms. He explained that the primary reason to establish the dual training centre within the factory is that they could not rely on the performance of the VET system. The technical teachers also complained that the VET system could not attract the official attention it deserves from the state’s policy-makers. Regarding this, one teacher defined the VET system’s current situation as *‘arafta kalma’* (being in limbo) and implied that governance actors do not have the VET-related issues at the top of its agenda. Guclu (2016), a well-known journalist often writing on the education problems in Turkey, also

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<sup>14</sup> The quote is available at: <http://www.meb.gov.tr/bakan-yilmaz-basbakan-yildirim-ile-birlikte-ogretmenlerle-bir-araya-geldi/haber/11419/tr> (Access date: 31.05.2017)

<sup>15</sup> The quote available at: <http://yogm.meb.gov.tr/meslek-ve-teknik-egitimde-sessiz-devrim/haber/10385/tr> (Access date: 31.05.2017).

<sup>16</sup> The quote available at: <http://mtegm.meb.gov.tr/www/meslek-liseli-sayisinda-hedef-yuzde-50/icerik/1064> (Access date: 31.05.2017).

argues “nobody concerns for education, the situation of VET is worse as it is remembered few times in a year, that is it”.

In summary, the conflicting views from the interviews as well as secondary data regarding the VET’s importance can be interpreted as the state’s rhetoric commitment in terms of VET’s importance for the country’s development, but the lack of sufficient evidence of success at the moment. This illustrates the problem of rhetoric and action, which is elaborated in the second section while discussing the problem of ineffective governance.

### **5.3. Contradictions and problems of the VET system**

Discussion in the previous section already raised some doubts on the effectiveness of Turkey’s state-led VET system. This section discusses this issue in greater detail. The findings predominantly show that the system does not work smoothly. There are on-going contradictions and problems that need to be addressed in order for the system to deliver better outcomes to those directly involved in the system including firms and students. These problems can be categorised as a failure of coordination between education and industry, ineffective governance, and poor quality of teaching and learning.

#### **5.3.1. Coordination between education and industry**

Two inter-related issues emerging from the findings regarding the coordination problem are identified as a weak relationship between education and industry with skill mismatch as the visible outcome. In principle, the VQA is responsible for defining the industry’s skills requirements and setting vocational standards and qualifications based on the skills requirements. The MoNE is subsequently responsible for designing the VET structure and curriculum in line with the industry’s requirements. However, the shared concern of the majority of the interviewees regarding the relationship between education and industry is that two connected state agencies, the VQA representing industry actors, and the MoNE, representing vocational education, fail to develop complementary policies and practices in achieving a shared goal.

Although the informants acknowledge the coordination problem, conflicting perspectives exist regarding its current situation. One group of informants argue that the coordination problem has been fixed with the modular system that was introduced by the MoNE in 2002. This system is formed of several course modules to tailor the VET curriculum in line with the changes in the industry, and in this way to enhance the VET system’s flexibility in

responding the industry's requirements. In the initiation of the modular system, the MoNE is expected to respond to any request from employers, and subsequently to revise and change the modules taught in vocational schools. This suggests that the modular system is ideally expected to link with the vocational qualification system- i.e. connection of education and industry. The group of informants considering that the coordination problem was fixed appreciated the MoNE's on-going effort to solve this problem and ask for employers' feedback in adapting the VET curriculum according to their requirements. This group stressed that this situation should be read as an important improvement for the overall VET system.

On the other hand, the majority of the informants highlighted the on-going problem of coordination and criticized the MoNE's approach to this issue. Both the industry actors (industry chambers, employers' association and trade union) and individual firms in this group argued that they have fulfilled their responsibility by defining the skills requirements of the industry in a systematic way through the sector committees in the VQA. However, they stated that the MoNE ignored these requirements and followed its own agenda while shaping the VET curriculum. Confirming this claim, the representative of the VQA also criticized the MoNE's approach. He emphasised that although the main aim behind the establishment of the VQA is to solve the coordination problem often reported by the industry actors, the MoNE seems reluctant to collaborate with the VQA and incorporate the decisions taken in the VQA's committee meetings into the VET curriculum. This suggests that the industry has achieved good involvement in the qualification system, but the problem emerges in the use of this information to design the VET programme. The vocational teachers also criticised inadequate involvement of employers in modules' design as the main problematic aspect of the modular system that was expected to be the solution of the coordination problem. One teacher argued that, except a few large firms, employers are not involved in the system and they do not pay enough attention to its improvement. The teachers were also concerned about the applicability of these modules in practice. One of the teachers said that he does not use the modules as he teaches more complicated topics in the laboratory whereas the modules' levels are not adequate in this respect. This is also confirmed by the MoNE's (2010)<sup>17</sup> research with administrators and teachers of vocational schools. The participants of this research by the MoNE emphasise that the modules' content does not adequately match the

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<sup>17</sup> The research was conducted to ask vocational school administrators and teachers to assess the effectiveness of the modular system (application of the modules in practice, matching of module content with the labour market). In total, 1036 informants (administrators and teachers) from 28 schools in seven cities participated in the survey.

requirements of the labour market. Another teacher interviewed in this thesis said that he and other teachers in his school are not able to teach all the modules in practice due to the mismatch between their school's inadequate technical equipment and the complexity of modules. These two views suggest that modules are not prepared with a consideration of different conditions of vocational schools in terms of technical equipment and training requirements. This situation raises the question of centralization and its negative impact on education. The modules are prepared in one centre controlled by the MoNE and subsequently disseminated to all vocational schools in different regions of Turkey, with an underlying assumption that all schools have the same conditions in terms of applying these modules but failing to consider inter-school variety.

The majority of the interviewees, particularly the individual firms and industry actors, highlighted the issue of skill mismatch as an inevitable outcome of the coordination problem. The major reason for this is argued to be the policy-makers' failure in shaping the VET system in line with the industry's needs by following its own agenda. The shared complaint of this group is that skills supplied by the VET institutions, especially vocational schools, do not meet the industry's requirements. This confirms the findings of the survey conducted by the MoSIT in 2012. The survey results show that the majority of the firms are not satisfied with the vocational and technical skills of individuals (see Chapter 1 for further elaboration on the survey). In this research, the interviewed firms' common criticism is that what has been taught in metal departments of vocational schools is out-dated today when compared with the changing need of employers. An example comes from the HR specialist working in one of the case-study firms. He referred to a large number of vocational schools in the city where his firm operates. But only a few of these schools provide education in technical fields such as plastic and mechanics that are required by the automotive firms. A similar criticism came from the HR manager of another case-study firm.

*“Vocational technical schools mostly provide education for (vocations in particular areas such as) carpentry and engine parts. But automotive factories consist of several production lines including sheet metal and press, (and therefore require technical skills primarily associated with these areas)... The VET system does not offer special and quality education on automotive assembling and painting. So the system's outcomes do not completely match our skills demand in practice.” F2a*

This may be related to the rigid structure of the VET system that makes it difficult to open the required fields or adjust the curriculum in line with requirements of specific industries. Showing awareness of this problem, the state has recently initiated the project of ‘thematic vocational schools’ to develop a customised curriculum for specific industries. These schools will focus on a particular industry and the entire curriculum will be shaped in line with this industry’s need (MEB, 2016a). For example, the thematic school on automotive will be opened in Bursa where the automotive sector is predominantly located (*ibid*). However, the project is still in the planning stage, to take place in 2017 (MEB, 2017b). Therefore, it remains to be determined whether it will be successful and sustainable.

### **5.3.2. Governance**

Several themes emerged from data analysis regarding governance-related problems of Turkey’s VET system. These themes are listed as excessive bureaucracy, the absence of strategic planning and monitoring mechanisms, inconsistency in the state’s policies, politicised decision-making, and the gap between rhetoric and action.

#### Excessive bureaucracy

One of the themes often emphasised by the informants is the bureaucracy. The sociologist Max Weber defines this term as “the combination of written documents and a continuous operation by officials constitutes the ‘office’ (*Bureau*), which is the central focus of all types of modern organised action” (Weber, 1968 cited in Swedberg and Agevall, 2016:20). Drawing on the definition by Weber, it is argued that in the Turkish context, the term ‘bureaucracy’ is commonly associated with negative characteristics as interviewees criticized the system for ‘excessive bureaucracy’ and its negative outcomes.

A consensus exists among the interviewees regarding the slowness of the VET system in responding to the industry’s changing requests due to the rigid bureaucracy. Particularly the industry actors and individual firms evaluated the bureaucracy problem as a great obstacle against their contribution to the system, resulting in lower levels of engagement. Even if the industry actors provide solutions to the system’s problems, it takes a long time to turn the offered solutions into actions. According to the informants from the industry, the bureaucracy is the greatest barrier when they ask for a change in vocational education. Similarly, when a firm attempts to adjust vocational education in the partner school in line with its changing skill need, it is difficult to achieve prompt responses from the system due to its slowness. An

HR specialist in a case-study firm stated that although all stakeholders including the state are aware of the system's basic problems and solutions, the established bureaucracy prevents implementing mutually agreed solutions in a short time. Confirming this, the interviewed teachers also reported how the rigidity of regulations limits them to a great extent in terms of giving prompt responses to the private sector's request.

This problem seems to be on the agenda of the MoNE as one senior official in the ministry expresses the state's on-going effort to eliminate some bureaucratic obstacles related to the implementation of VET (Hurriyet, 2015). However, it is not clear what specific steps are taken, and it may be another indication of rhetoric over action. Overall, the findings on bureaucracy in this research confirm the study of Simsek and Yildirim (2000) focusing on the administrative and organisational practices in vocational schools. Based on the study's findings, the scholars conclude that "the Turkish VET system is characterised by a centralised, top-down bureaucracy, which inhibits innovative capacity" (*ibid*, 327).

#### The absence of strategic planning and monitoring mechanisms

The absence of strategic planning and monitoring mechanisms is another governance-related problem emphasised by different groups. The representatives from the firms criticized the VET actors' short-term approach to solve problems and 'save the day' instead of developing long-term plans and taking proactive steps. They called for a scientific approach to determine the industry's current and future needs and transform the system in line with these needs. Nevertheless, it is questionable whether the absence of strategic plan or absence of effectiveness in applying strategic plan into practice is the actual problem. For example, the existence and regular renewal of 'the Vocational and Technical Education Strategy Document and Action Plan' (the recent one covers 2014-2018) and 'the Strategic Plan of the MoNE (2015-2019)' covering the plans on VET (MEB, 2015b) indicate the existence of strategic planning. Moreover, these documents are prepared through the involvement of several actors from education, industry, and related ministries participate in the preparation process. They are treated as highly significant such that they are defined as the 'road map' shaping the education activities of the ministry (MEB, 2015b). However, it remains unclear how the next step is taken based on these documents and whether any mechanism successfully monitors their progress.

An HR specialist in a case-study firm also complained about the absence of medium and long-term planning in terms of the employability of VET graduates. Similarly, another firm representative argued that if the VET actors do not conduct any comprehensive research to

forecast what would be the top required vocations ten years later in a particular province or region, then it is not reasonable to invest substantially in VET. The firms' shared concern in this respect is the absence of any mechanism evaluating the performance of the VET system and updating it in accordance with the changing conditions (e.g. technological development and changing skills demand of employers). However, ETF's (2014) country report on Turkey indicates that the state has taken several initiatives in recent years to achieve skills anticipation and match of the skills supply in line with the industry's changing conditions. The report refers to the examples of the 'Foresight exercise' (in the early 2000s) and the project of 'FRAME Initiative on Skills for the Future' that were conducted to set the national policy priorities and develop a roadmap for future actions on human resources development (*ibid*, 25). These examples suggest important evidence showing that the state, sharing the concern of employers, has been working on several instruments to upgrade the VET system and fix skills mismatch problems. But the problem seems to be related to the effectiveness of these instruments and successful dissemination of the improvements with other stakeholders. The issue of the absence of effective planning is also the case for a strategic plan for the VET curriculum. The interviewed teachers criticise the state's short-term approach in solving the problems by particularly emphasising the absence of any coherent planning in the curriculum. For instance, one of the teachers claimed that the education system is designed by 'trial and error' approach instead of a strategic approach. However, on-going developments in the MoNE show that the problem is not related to the absence of planning. For example, the project of 'Improving the Quality of VET in Turkey (2012-2014)' and the curriculum development workshops that took place in 2013 in connection with this project show the state's concern to develop a strategic approach to curriculum development. The important aspect of these workshops is the substantial representativeness of the industry, which suggests that the curriculum is expected to change in line with the industry needs.<sup>18</sup> But this is a new development; therefore it is early to assess its implications and effectiveness. This may explain the negative feedback of teachers and individual firms as they assess the current situation based on their daily experiences.

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<sup>18</sup> In the first workshop (4-8 March 2013), 30 industry representatives attended while in total 170 people from different public and private institutions were present. In the second workshop (25-29 March 2013), the numbers were 25 and 137, respectively. Available at: <http://mtegm.meb.gov.tr/www/mesleki-ve-teknik-egitimin-kalitesinin-arttirilmesi-projesi-1-mufredat-gelistirme-calistayi/icerik/285>; <http://mtegm.meb.gov.tr/www/metek-2-mufredat-gelistirme-calistayi-gaziantep8217te-basladi/icerik/300>. (Access date:02.06.2017)

In connection with the perception of lack of any strategic plan, the teachers' shared criticism is the lack of any systematic approach evaluating the success of the MoNE's former VET projects by examining the gap between what is planned and what is achieved. One of the teachers gave the example of a recently completed project SVET (Strengthening the Vocational Education and Training System) and questioned the existence of any mechanism for assessing the outcomes and effectiveness of this project. But the major problem is again not the absence of such mechanism. Contrary to the claim, there is a special department named as 'monitoring and evaluation department' within the body of the MoNE. This department is responsible for monitoring and evaluating the application processes of the curricula, processes regarding the use of teaching materials, and domestic and foreign education processes (MoNE, 2016). Related to this issue, one of the teachers complained about the absence of an effective communication and information exchange between teachers at the bottom and policy-makers at the top. His claim is that even if the MoNE has been working on any monitoring mechanism, teachers are not comprehensively informed about it. It seems that the MoNE is aware of this problem and has taken steps recently to solve the problem by organising meetings on sector collaboration in several cities and sharing the recent VET improvements with the schools' directors and industry representatives (MTEGM, 2016). Nevertheless, this reminds the issue of effective dissemination of improvement with other shareholders and suggests the state's further effort on in this issue.

#### The Inconsistency in the state's policies

The inconsistency of the state policies resulting in constant change is another major problem highlighted by the firms, industry actors, and teachers. In particular, the firms complained that policy-makers frequently change the national education system including VET and bring new rules each year, which is difficult for employers to follow. The following quote from an HR manager in a case-study firm illustrates this issue:

*“Whenever the position of ‘Director of the VET division’ in the MoNE is replaced by a new person, the whole VET system is designed from scratch... Without giving any notification to the society, the policy-makers make a vital decision in one night and say ‘ok, our students will take this exam from now on’ ... It is the students who are negatively influenced by such short-term approaches. Indeed, in a broader sense, it is the country’s future that is damaged.” F3*

An important issue connected with the constant change is the ineffective use of resources. The informants are concerned that introducing a new system is not without cost but needs to be tested and revised many times, which results in using substantial resources (time, money, labour). This is particularly the case with VET when compared to non-VET (academic subjects) as it is an expensive form of education requiring applied practice of acquired skills that is achieved through heavy resource inputs such as tools, equipment, and machines, and probably needs more extensive coordination (Ayonmike and Okeke, 2017). Therefore, it is imperative to apply a careful planning process before introducing a new system.

The frequent change in the VET system is argued to adversely affect the school-industry partnerships. The immediate consequence is the diminishing trust towards sustainability of the state's policies. The teachers' common problem in this respect is that inconsistency of the state policies leaves them in a difficult position while building sustainable collaboration with firms. One of the teachers collaborating with the firms applying the dual VET system complained that he often struggles to explain the frequent change in the system and its implications for the partner firms, which inevitably influences school-firm partnership negatively. This uncertain environment (lack of predictability of the VET policies) pushes the employers to develop their individual solutions instead of investing in national skills system. The ultimate result of the inconsistency problem is expected to be less engagement of employers with the VET system. This will be covered in the next chapter.

#### Politicised decision-making

While discussing the VET problems, almost all the groups except the state agencies emphasised the strong and negative influence of politics in shaping education policies that is often qualified by the interviewees as 'politicised education'. As explained in Chapter 3, this concerned the 'coefficient problem' resulting in the negative perception towards VET. The best-known example is the state's policy for religious vocational schools, which is argued to be detrimental to the VET system. An HR specialist explained this situation as:

*"In the past, HEC (Higher Education Council) developed an adverse strategy for the graduates of religious vocational schools by creating obstacles against these people in terms of the university entrance exam. This was a great mistake. Again, we see political factors here. The root of today's problems is coming from the past..." F4b*

Similarly, a manager representing employers' association emphasised the state's mistake in putting technical education and religious education in the same basket due to its political interests and argued that this decision by the state has influenced the whole VET system negatively. Teachers also expressed their concern about this 'politicised education'. One teacher referred to the '28 February Process'<sup>19</sup> as having the greatest detrimental impact on vocational education with the HEC's changing policies to disadvantage religious vocational schools. The common claim is that the quality of VET was better before the era of '28 February' when students were selected to vocational schools through special exams (Budak, 2012). The VET graduates would be able to follow any career route such as law, engineering, and medical science but not limited to the further VET career path. The 'coefficient problem', the outcome of '28 February Process', is highlighted during the interviews as the major obstacle for vocational schools to attract academically successful students. It is seen that the number of students following VET dramatically decreased after this era (see Chapter 3 for further elaboration). The essence of discussions on 'politicised education' in this research suggests that political ideology can generate negative outcomes and conflict for education as a particular group may favour its interests against others and use education policies against the opposing groups. Based on this, the argument is that education needs to be liberated from any kind of political ideology to serve equally to all different groups in the society. However, one should also acknowledge that "education and politics are inextricably linked" because a government's education policy inevitably reflects its political position (Abernethy and Coombe, 1965:287).

#### The gap between rhetoric and action

The gap between rhetoric (what is said or written on paper) and action (what is done) is determined to be another major concern of the informants, particularly the firms, while assessing the VET system. The shared concern of the interviewees in this group is that although everyone talks about the importance of vocational education, there is not enough serious action taken to upgrade the system, referred to 'all talk but no action' syndrome by one of the informants. The argument is that the low-quality outcome of the system fails to match with what the governance actors talk positively about the system. The policy-makers' discourses and attempts are perceived as a kind of public relations initiative instead of taking value-added steps to achieve improvement. The informants acknowledge that the VET

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<sup>19</sup> "The last 'post-modern military intervention' took place in 1997 with the '28 February Process' which aimed at curbing the growth of political Islam in Turkey" (Yucel, 2002 in Sozen and Shaw, 2003:110).

system seems to be perfectly planned at the administrative level (e.g. well-design official website of the MoNE, the organisational structure of the MoNE having a number of departments focusing on a particular aspect of VET, and the existence of strategic planning). However, they are concerned about the failure of policy implementation in practice. An interesting evaluation came from the HR specialist in one of the case-study firms who described the current situation of the Turkish VET as ‘a ship without a rudder’, implying that although the system seems to have an organised structure, in reality, it is uncontrolled and without any clear goal- i.e. lack of actual direction. Sharing the same concern, another HR specialist in a different firm commented:

*“When you visit the official website of MoNE, you can find everything. But it is all missing in terms of the reflections on the daily life in practice. The style of ‘tamam hallederiz hocam’ (literally it means, ‘we’ll manage, don’t worry’ while implying that there are promises but no action) is common. For instance, I wanted to find an official person of MoNE in Sakarya in order to create a network of vocational training, and talk to administrators/ heads of all vocational schools in the city. But I could not find anyone.” F2a*

### **5.3.3. Quality of learning environment and teaching**

The VET system’s quality problem was a highlighted issue by the majority of interviewees. Two different perspectives emerged from the analysis regarding the evaluation of the system’s quality. The dominant perspective particularly held by the individual firms and vocational teachers was that the VET system suffers from poor quality and had become worse when compared with the past. The other perspective belonging to the representatives of the state and one informant representing employers’ associations rather focused on the state’s continuous efforts to fix the quality problem and the resulting improvement. It is argued that the quality improvement is an on-going process and therefore needs time to be discernible by other stakeholders. Considering these perspectives and the themes identified in data analysis, this section is organised by covering two aspects of the system: quality of learning environment and teaching.

#### **5.3.3.1. Quality of learning environment**

One area of concern highlighted in the interviews was the poor quality of learning environment of VET students at both vocational schools and workplaces. The interviewees’

evaluation regarding the performance of VET graduates at the workplace is also covered in this section because the graduates' performance after employment is assumed to have a strong connection with the learning environment's quality during their pupillage. The common argument stressed in the interviews is that poor quality of education results in weak performance of VET graduates when they are employed and this situation pushes employers to question the credibility of certificates. Complaining about this problem, the firm representatives emphasised that the quality has deteriorated year-by-year, particularly since the 1990s. The major concern of this group is the weak performance of VET graduates at the workplace with a special focus on the graduates' inadequacy even in basic calculation and quantification. This is confirmed by the report by ERG and Koc (2012) showing that students of vocational schools mostly reveal weak academic performance in basic science, maths, and theoretical knowledge in their vocational area; and that 95 percent of the students is insufficient even in basic mathematics rules. An HR manager confirmed that the major problem they face regarding the VET graduates working at the production line is these individuals' weakness in measuring and indicating the data in units. Similarly, the HR specialist in a case-study firm referred to vocational schools' failure in meeting the firm's demand in terms of supplying graduates with even basic technical knowledge.

*".... For example, a (VET) graduate is supposed to know reading a calliper gauge and using a measuring instrument. Unfortunately, this is not the case. I am teaching all these things here." F4b*

The shared perception of the firms showed that the quality problem leads to employers' increased concern in terms of the credibility of vocational certificates and diplomas given to these graduates. A senior manager representing employers' association argued that the firms in the automotive industry do not trust the system's outcomes and therefore develop their own solutions.

*"A vocational certificate or diploma, by itself, does not reflect an individual's competency. ... it is the answer why firms place importance on in-firm training. Otherwise, firms do not have to provide training to individuals but they need to do so in the current situation." Ind1*

These findings bring the questions of what the boundary or connection is between employers' in-firm training and wider national VET system. The next chapter provides insight into this issue through the case-study firms.

Several factors behind the poor quality of VET learning were raised. But three main themes are identified from analysis listed as the selection process of VET students, a trade-off between quality and quantity, and the inter-linked problems of the lack of education facilities and placement. A first issue concerns the selection process of VET students. The common argument is that the absence of any strict criteria for the selection encourages demotivated and academically poor students to choose the VET path as the last resort. In the past, particularly the era before the ‘28 February Process’, when students were carefully selected to vocational schools by special exams, the quality of vocational system was relatively better. This selection process of students is believed to be essential in attracting motivated and relatively successful students to these schools. However, it may not be the only reason of quality deterioration. Changes in employment conditions and graduates’ expectations are also key factors in shaping the current picture, which need to be considered together to better understand the overall VET problem.

A trade-off between the quality and quantity is another reason of the quality problem. The argument is that the state policies primarily focus on the quantitative problems and targets whereas the quality problem did not receive full attention. For example, one informant from the employers’ association criticized the MoNE’s approach of excessive focus on quantitative data (the number of students, teachers, and schools) and ignoring the quality aspect.

*“Strategy report and action plan of the VQA focus on human resources development but the MoNE provides us data on the number of students, teachers, and schools. What will I do with these numbers? What should they mean to me?”* Ind1

An HR specialist repeated the same criticism and implied that the MoNE sacrifices the qualitative aspects of VET by overestimating the quantitative achievements. Secondary data appear to support this argument. The number of vocational schools, students, and teachers has been increased over time, as seen in Table 5.2. Particularly, the last column shows the relative expansion of VET students when compared with those in general education. However, regardless of this quantitative improvement, the interviews demonstrated dissatisfaction of employers in terms of the VET quality. This suggests that the state’s initiatives are rather number-driven while quality problem remains to be fixed. Ozsoy (2015) highlights the importance of this issue by stating that the major target of the VET system has always been to achieve the schooling rate of 65 percent. But this achievement does not guarantee acquisition of the required key skills and vocational qualifications.

**Table 5.2. Number of schools, teachers, and students in vocational and technical secondary education**

Education year	Schools	Teachers	Students	VET/general education (%)
2008-09	4622	88 924	1 565 264	40.79
2009-10	4846	94 966	1 819 448	42.91
2010-11	5179	104 327	2 072 487	43.64
2011-12	5501	113 098	2 090 220	43.94
2012-13	6204	135 502	2 269 651	45.43
2013-14	7211	161 288	2 513 887	46.38
2014-15	5106	175 218	2 788 117	48.99

Source: National Education Statistics (2014/15)

The inter-linked problems of the lack of education facilities and placement are another area of concern with a direct influence on the VET quality. The shared view of the technical teachers is that a lack of updated equipment and insufficient teaching material in vocational schools is a great obstacle against linking theoretical knowledge with applied practice and providing quality education to students. One teacher stressed that the state’s efforts and employers’ support are not adequate in this sense. The employers are particularly criticized for providing ad-hoc support instead of building a sustainable relationship with vocational schools. In relation to this issue, one of the teachers addressed an interesting point.

*“80 percent of the laboratories in this school was founded thanks to the teachers’ effort. Toyota is the only laboratory co-founded by Sabanci and Toyota with the state’s coordinator role. Other laboratories in the school, however, were founded by the teachers’ effort...I should clearly indicate that we do not have the MoNE’s support. This school is surviving through the collaboration of firms and teachers. But it is the teachers who take the first step.” Sch3*

This quote refers to a need for teachers’ entrepreneurship skills in attracting firms’ investment in schools and building a sustainable relationship between firms and schools, which subsequently results in teachers’ search for alternative solutions. The state is criticised based on the claim that it does not take adequate steps to deal with the school problem.

Inadequate budget allocation can be one possible reason behind this problem. However, data provided by the MoNE shows that budget allocation is not a serious problem anymore as the state has recently increased the share of the budget in VET eleven fold when compared with the budget of 2002 (MEB, 2016b). Then the question comes in terms of a detailed budget allocation for specific activities within the VET system such as facilities for schools and teachers' training. But, due to lack of data, it is difficult to have further discussion on this issue.

Regarding the placement problem, employers were criticized for their inadequate support in providing vocational training to students. Three issues emerged from the data in this respect: available options for students, the lack of guarantee for placement, and the factories' lack of attention for students' training. In principle, students have two options for vocational training at the workplace. They can either receive the training at factories' production sites. Alternatively, after-sales services employ them for training on repair and maintenance services. As indicated by the teachers, services are claimed to provide a better learning environment for students. Ideally, students are expected to find workplace for training, but they are not obliged to do so. Teachers help them to be placed in a workplace. Despite the availability of several options for training, the interviewed teachers argue that trainers in factories mostly do not pay attention to monitoring students' development but they only fill the progress forms as part of their legal obligation. Therefore the teachers feel reluctant to send their students to factories for training, as illustrated by the quote below:

*“Indeed I do not want to send my students to factories for vocational training because the students are not assigned to production lines in the factories but rather used for irrelevant works. They do not learn much related to their own fields.” Sch2b*

Some of the teachers also argued that employers adopt short-term approaches to fulfil the legal requirement and treat students as cheap labour. For example, employers need to monitor students' progress during the training period, fill the progress form that structures required skills for the students to acquire, and send this form to the students' schools. But the teachers argued that employers complete these forms without careful evaluation of the students' progress and employ the students in different tasks. According to Aktas (2011), confirming the teachers' complaints, the VET students are forced to work more hours than defined by the regulation, but they are paid less. Treating the students as a source of cheap labour, firms make them work in different fields other than the students' own specialized fields. The

students interviewed by Aktas (2011) also complain about hard and dirty working conditions and absence of occupational safety (*ibid*). In principle, as stated by Aksoy (2014), the inclusion of workplace training to the VET schedule may be perceived as a positive contribution to students' skills development and their employability. However, an obligatory practice of students' training seems to turn into their exploitation by employers due to the absence of a well-established mechanism monitoring the employers' performance.

### **5.3.3.2. Quality of teaching**

The quality of VET does not only cover learning environment of students but the equally important issue is how teaching is delivered. The shared concern of the firms, in particular, demonstrated that poor quality teaching is an important problem still waiting to be solved in order to increase the VET quality. Competence of vocational teachers is strongly criticised in this sense and two main reasons emerged from the analysis: absence of teachers' training schools that only focuses on vocational teachers and insufficient training opportunity for teachers in the industry. An HR specialist criticised the state's decision of closing teachers' training schools. In the early period of the Republic's foundation (the 1930s), there were such schools focusing on training of vocational teachers to meet the VET system's need of teacher (Yildirim, 2011). However, these schools were transformed into technical and vocational education faculties in 1982 and then completely closed in 2009 (Taspinar, 2016). After that period, education departments of the universities have been training vocational teachers. Switching training to universities is expected to improve education quality. But performance of the mentioned departments is questioned in terms of "the irrelevancy between teacher education programmes and the realities of Turkish schools" (Cakiroglu and Cakiroglu, 2003:253; Ankara Universitesi, 2005), which brings the question of how to achieve a strong VET system without a strong teaching model connected to the practice at the centre.

The comment on the insufficient training opportunity for teachers, another source of the quality problem, came particularly from the vocational teachers. They claimed that even if they are aware of the necessity to update their knowledge in a particular field, training opportunities provided by the state are not sufficient to achieve this. An HR specialist from one of the case-study firms also emphasised the same problem and criticized the state's approach in carrying out teachers' training with a weak connection with the industry. However, the findings show that the state has taken several initiatives to fix this problem. For example, there is an on-going project called 'assignment for on-the-job training' funded by

the Turkish National Agency. As part of this project, the state has set the target of sending 260 vocational teachers from 13 different fields to European countries to receive training in their fields during one month (MTEGM, 2015). One major question in terms of such training programmes is that to what extent they cover all vocational teachers. When compared with the total number of technical teachers, the number of teachers that received training seems to be very limited, which reflects the capacity problem in training.<sup>20</sup>

#### **5.3.4. The status of VET**

‘VET status’ in this section refers to society’s perception of the system in terms of whether it has a prestigious or inferior position in the eye of people. This issue has been covered in Chapter 3 by introducing factual information and the debate in the literature. The findings of this study confirm the literature by showing the wide consensus among different social actors that a negative perception of VET is an on-going and critical problem in Turkey. The VET system is reported to have become less attractive since 1999 and suffer from quality deterioration (Winterton, 2006; see Chapter 3 for further elaboration). Two key and inter-linked themes emerged from the current study regarding the perception of the VET status: the low prestige of vocational schools when compared with other schools providing general education, and the ‘obsession’ of the society regarding the university education. These themes can be the expected outcome of the problems discussed in the previous sections. Students and their families perceive the VET path as a last resort both because of the weak facilities and low-quality education provided in these schools and subsequently the lower employability of VET graduates (Kenar, 2010). In this context, the society perceives that the path of general education is more promising in many aspects such as offering broader options for the university education and better and more prestigious career options (medical doctor, engineer, teacher) in the labour market (Sunar et al., 2015). This, consequently, nurtures the society’s obsession with the general education that opens the path for the university education.

#### **5.4. Comparison of Turkey with other state-led countries**

Given that Turkey has a state-led VET system, one would wonder whether it shares the similar characteristics with other countries having a state-led system and subsequently deals

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<sup>20</sup> 7227 teachers received in-service training in 2016 (MTEGM, 2016b). However, the total number of vocational teachers is 175218 (National Education Statistics, 2014/2015).

with similar problems. Before further discussion, it should be pointed out that different sets of countries (e.g. Korea, Singapore, Taiwan, China, France, UK) are classified as state-led systems in the literature (see Sung et al., 2000; Bosch and Charest, 2009). It is practically difficult to bring the discussion on all potential state-led countries into this section. Therefore, the section particularly draws on the examples of three state-led countries as Korea, France, and the UK mainly because of the available information in the literature about these countries enabling the comparative analysis with Turkey. It appears that all these countries display similar characteristics regarding the dominant role of the state and relatively weaker influence of other social actors, a loose coordination between vocational education and industry, and the weak status of VET. Nevertheless, countries differ to some extent in their focus on different aspects of VET and develop some different responses such as developing different forms of institutions.

In state-led countries, it is an expected case that the state plays a dominant role in leading and financing the process of skill formation whereas unions and employers are poorly mobilised (Sung et al., 2000; Bosch and Charest, 2009). Confirming this, the findings of this research show that the state is the dominant and powerful actor in Turkey's VET system. But, it also appears that the state is more dominant in initial VET; while in terms of further VET, it is willing to leave more space to other actors. Similar to Turkey, initial and further VETs need to be distinguished in France that has been known as a 'state-regulated bureaucratic model' (see Greinert, 2002). The state plays a pivotal role in designing, planning, and financing the initial VET system and it preserves dominance (Brockmann et al., 2008; Mehaut, 2010). In the second type of VET, on the other hand, other social actors are more involved in the system and have more power in negotiating the policies. Regarding the further VET, they are influential in negotiating and changing the general institutional framework at the sectoral and national level (Mehaut, 2010). At the company level, works council plays an influential role in firms with more than 50 employees by planning further training (*ibid*). Powell et al. (2012) take a further step in this debate by claiming that the French VET reflects the characteristics of a consensus-led model and show the existence of '*Commissions Professionnelles Consultatives*' (CPCs) as important evidence. In CPCs, the social actors consisting of employers, trade unions, and related ministries evaluate the VET programmes, develop new programmes, and define the requirements for vocational certificates.

The VET system in the UK also reveals the characteristics of a state-led model in which the state plays an intervening role in the supply side of the labour market (Rainbird, 2010). The state sets the targets and imposes other social actors to follow these targets. However, the

establishment of the UK Sector Skills Councils (SSCs) that are employer-led bodies licensed by the government is shown as an important indicator of a shift towards an employer-led VET (BritishCouncil, na). These councils are entitled to set training strategies for particular sectors and play a leading role in defining the vocational qualifications (*ibid*). Nevertheless, stressing the weak influence of social actors, Rainbird (2010:260) states “although employers and other organisations have seats on the sector skills councils, they have little scope for modifying centrally determined targets and strategies”. According to the report of Lanning and Rudiger (2012), many employers still perceive themselves as ‘customers’ of the state-driven education system, not the key players designing the system for the development of skilled workers. Keep (2006:52) refers to “a cycle of state intervention in order to prop up earlier cycles of intervention” and stresses that this process strengthens the state’s power while crowding out other actors, and employers in particular. This suggests the poorly defined characteristics of social partnership in practice and absence of the state’s enabling role in stakeholders’ involvement.

Another state-led country model is Korea where the state is the dominant actor in developing education and training policy and setting standards for vocational qualifications. However, after the 1990s there seems to be a decline in the state’s dominance with the introduction of a new vocational training system on the basis of subsidies, which leaves more room for firms to develop their training (Bosch and Charest, 2008). Important examples revealing the state’s commitment to increase employer involvement in VET policies are shown as the creation of sector councils and the Meister school project initiated in 2009 by the Ministry of Education, Science, and Technology to deliver an industry-customised curriculum (Kuczera et al., 2008). In accordance, Yoon and Lee (2010) claimed that the Korean VET system has been shifted from the state-led to a more market-oriented system by enabling cooperative training by large firms and SMEs. This is also highlighted by Park (2013) referring to both state-led and market-led characteristics of the Korean skill formation system since the 1990s.

A loose coordination between vocational education and industry is the second issue that the four countries display similarities. The informants in this research predominantly highlighted the coordination problem as one of the major problems of Turkey’s VET system that subsequently leads to skill mismatch. However, this problem is not specific to the VET system in Turkey. Other state-led countries deal with a similar problem. For example, Korea struggles due to the absence of a well-established mechanism enabling the integration of VET and the labour market. In this context, the VET graduates are defined as ‘losers’ due to the irrelevance between the training they receive and the industry’s requirements (Bosch and

Charest, 2008). The VET system of the UK also faces a similar challenge in terms of the weak cooperation at different levels for curriculum development and industrial innovation (Rainbird, 2010). The state has introduced several mechanisms such as the UK-wide Sector Skills Councils (SSCs) and publicly-funded apprenticeship programmes to match VET provision with the industry requirements (CEDEFOP, 2009). Nevertheless, Rainbird (2010) questions the state's ambition to achieve the coordination by pointing out the evidence regarding the absence of any sanction or incentive encouraging employers' cooperation with the VET institutions. Similar to the UK, France has exerted substantial effort to revitalize its apprenticeship system that combines on-the-job training and classroom education. Pointing to positive outcomes of the state's initiatives for apprenticeship, Powell et al. (2012) refer to an increase of awareness in the apprenticeship with more participation of firms and social actors due to the provision of practical experience at the workplace. However, in the country report of UNEVOC-UNESCO (2015), the coordination between the French VET system and the labour market is still highlighted as one of the major critical areas that needs further improvement. This situation suggests that the state's initiatives to achieve the link between VET and industry have not yielded the expected outcomes.

The weak status of VET is another shared characteristic of the four countries. In the Turkish context, the informants often highlighted the negative perception of VET as an on-going and vital problem that needs to be solved urgently. But as Winterton (2006) warns, the status problem in VET is not specific to Turkey. Other countries having a state-led system deal with a similar problem. For example, the VET system is not rewarded with high status but it is rather linked with academic failure in the UK (Broockman et al. 2008). In Korea, students having VET qualifications are perceived as 'losers' with less chance of employment (Bosch and Charest, 2008). This situation results in the negative status of VET in the society that pushes students and parents to focus on general education rather than the VET path. Although France also deals with the status problem, it can be considered in a better situation when compared with other countries. According to Mehaut (2010), development in initial VET in recent years has produced both quantitative (student flow) and qualitative (length and content of training programmes) improvements. Although the national VET system is not still rewarded with high status, parents and students have a more positive approach towards it (*ibid*).

The given examples from the state-led countries show that they share some common problems such as struggling to achieve the coordination between the VET system and labour market, to develop institutions to encourage social partnership while decreasing over-

dominance of the state, and to increase the attractiveness of VET. Nevertheless, the countries also deal with some specific problems that may not be the priority concern of other countries. In this study, the inconsistency of the state policies emerged as a prominent problem of the Turkish VET system leading to ambiguity and trust problem of social actors. Inconsistency is believed to be one of the major challenges against a long-term relationship between the industry and education. In such an environment, it cannot be expected that employers are fully committed and contribute to the system by promising a long-term investment in vocational institutions. Instead, they try to solve skills shortage problem by developing their individual solutions such as establishing in-firm skills development centres. The other group strongly affected by this problem is vocational schools' administrators and teachers. They have two possible options: to follow the regulations of the state and wait for its support or to develop their own solutions by directly contacting with employers for investment in vocational education. As discussed earlier, the findings show that some of the schools in Turkey choose the second option and build a bilateral collaboration with the employers. But the ad-hoc nature of such solutions possibly contributes to the fragmented VET system instead of a development of complementary and well-established long-term solutions.

According to the country report of CEDEFOP (2013), France primarily focuses on drop-out rates and its causal link of youth unemployment. This problem is so serious in France that in December 2012, the Ministry of Education announced a major plan to fight drop-out rate, and in 2013, the state put on a new law bringing an obligation to every student to continue their education until receiving the vocational skills certificate (*ibid*). The UK, on the other hand, primarily deals with the increasing level of complexity and uncertainty in the VET system (Halasz, 2011). The OECD (2009) report highlights that VET policies of the UK are “more complex than in most other OECD countries” and the context is not only complex but also “volatile”. One of the primary problems of the Korean VET system is the low participation rate of students in vocational training (Yoon and Lee, 2010). As mentioned earlier, there is not any levy system for initial VET but rather the state leaves provision of workplace training to employers' discretion. Absence of any systematic programme for such training pushes VET students to gain practical skills mostly in school workshops and rarely in the workplace (Kuczera et al., 2008).

The overall debate in this section regarding the shared characteristics as well as different priorities of the selected state-led countries reminds the discussion of country classifications and different typologies elaborated in Chapter 3. As mentioned, typologies are helpful for a 'helicopter' view in comparing the countries categorised in the same group. In this respect,

the discussion in this section helps our understanding in terms of the state-led countries' similar characteristics. However, as emphasised by Bosch and Charest (2008), caution must be applied that static nature of typologies may not be sufficient in explaining the dynamic nature of countries (e.g. changing economic and social context). It is, therefore, essential to well understand the country-specific contexts while comparing the countries even identified in the same category.

## **5.5. Conclusion**

Having a broad aim of understanding the context of the Turkish VET system, this chapter focused on the characteristics and existing problems of the system by drawing on the perception of social actors. Despite the state's initiative to be less dominant and its intention of decentralisation, the findings suggest that the state remains dominant and fails to promote social actors' participation, which seems to be an indication of rhetoric over action such that the state claims importance and involvement of other actors but still preserves the power to control and lead the system. This creates a vicious circle crowding out other actors' involvement in shaping the VET system. The main reason behind this situation may be the entrenched centralised governance of the country. The state's lack of enabling role combined with instability of the state's policies and ambiguous roles of other actors pushes these actors out of the system and prevents them from fully engaging with and contributing to the system's development but rather compels them to develop individual solutions, as seen in the case of employers and vocational teachers. Instead of a network in which each partner's role is clearly defined, a series of ad hoc, uncoordinated bilateral relations between the partners shape the system.

Despite the state's several initiatives to improve the VET system, it becomes obvious that the system is not driven smoothly but suffers from several problems. Some of these problems such as the coordination problem may be relatively easy to fix by better policies. The state just needs to take effective steps to define the factors leading to the vicious circle formed of these problems and turn them into a virtuous circle in collaboration with other social actors. Excessive bureaucracy is found as an important factor in creating the vicious circle particularly in terms of the industry-education partnership, and that it needs primary attention to be fixed. On the other hand, some other problems such as enhancement of quality are more challenging and therefore need time in terms of discernable improvement even if the VET actors have already taken important steps. The chapter also showed that the major problem is not the absence of necessary instruments (e.g. strategic planning, platforms bringing social

actors together, allocation of resources) to improve the VET system, as they already exist, but rather ineffectiveness of these instruments to generate value-added outcomes. Considering all the discussed problems together and the role of social actors in fixing these problems, one important finding of the study is that VET-based problems cannot be fixed without a well-established and attractive employment system (better payment and working conditions for VET graduates). If the VET system is argued to be locked in a vicious circle that results in a weak quality of the system, promising career opportunities and decent working conditions for VET graduates are equally important as the improvement of education facilities to break this circle. Chapter 8 will provide further discussion regarding this issue.

In stakeholders' perception of the VET system, an interesting point shown in this chapter is that the informants' position matters in the evaluation of the system itself and the state's role in the system, which proves the complexity of examining the social actors' interaction with the system. The informants involved in policy-making and development of VET-related projects mostly focus on the process of change and the system's performance for improvement. They highlight the state's motivation and effort in solving the skills mismatch problem, and its collaboration with the industry in this period. The implementers of the state policies (individual firms and vocational schools), on the other hand, tend to be more negative. They mostly focus on the problems emerging at the operational level- i.e. the process of implementing policies in practice. In brief, policy-makers focus on what is achieved and how the system has become better in time, whereas policy-implementers assess what is missing and need to be achieved in the system. In connection with this, it is seen in this chapter that Turkey's VET system has been undertaking an on-going transformation process (e.g. restructuration of VET division, continuing projects, and changing regulations). Therefore, it seems to be early to assess the impacts of the institutional change in the system. In summary, this chapter provided insight into the context of the VET system in Turkey. It contributed to our understanding of under what conditions firms engage with the system as the way they do. The following chapter will explore how the case-study firms engage with the system.

Although the main focus of the chapter was the context of the VET system in Turkey, the discussion in the chapter was enriched by the examples of other state-led countries. The given examples from the state-led countries (Turkey, France, Korea, and the UK) showed that they share some common problems such as struggling to achieve coordination between the VET system and labour market, to develop institutions to encourage social partnership while decreasing over-dominance of the state, and to increase the attractiveness of VET. Despite

these shared concerns, the chapter showed that the listed countries also deal with some specific problems that may not be the priority concern of other countries. It emphasised that typologies may be helpful in providing an overall view but nevertheless it is essential to consider country-specific issues while conducting a comparative analysis among different countries.

## **Chapter 6- Engagement of the Japanese, German, and Turkish Firms with Turkey's VET System**

### **6.1. Introduction**

Given the state-led characteristics of the Turkish VET system and the interviewees' shared perception of the system's weak quality elaborated in the previous chapter, this chapter is driven by the second research question: How do employers (MNCs and local firms) engage with Turkey's VET system? Three essential sub-questions that need to be examined are as follow: What is strictly defined and required by the state from employers? What room is there for employers to take different (unique and specific) initiatives? What did the MNCs bring to the VET system in terms of their influence on the system rather than merely compliance with the host country's legal requirements? These questions are of primary importance to understand the level of the state's dominance in shaping the VET system and existence of leeway for employers in their interaction with the system.

The discussion in this chapter provides insight into two major arguments. One argument is that even if the VET system is defined to be state-led in Turkey, the state leaves room for and even supports employers' innovative practices to some extent. There is a distinction between initial and further VET in terms of the state's role. As indicated in the previous chapter, the state is more dominant in controlling initial VET. On the other hand, it plays a more enabling role in promoting social actors' participation in shaping further VET. This mixed role of the state is to a great extent related to its concern of promoting the acquisition of transferable skills and in this way enhancing individuals' employability and mobility in the industry. The state's recent regulations in skills certification are considered as an important improvement in this respect. Individuals are required to receive vocational training in a particular field to be employed and validate their skills with nationally recognised certificates. Under these conditions, employers display a different level of engagement with the VET system while still following the legal regulations. Drawing on the institutional theory, another important argument of the chapter is that MNCs do not only respond to the requirements of the host country's VET system but as powerful organisational actors, they may also play an influential role in shaping the host country's institutional context and contributing to the development of the host country's skill system (Geppert and Matten, 2006).

The structure of this chapter is as follows. In the first section, the concept 'employer engagement' and different forms of engagement are discussed. The second section briefly introduces how employers engage with Turkey's VET system. This section is substantiated

by the case-study firms' engagement with the system. Here, the firms' relationship with the system is analysed from three aspects: implementation of VET, implications for the firms' HR practices of recruitment and training, and engagement with VET actors in the Turkish institutional context. Firms' recruitment strategies are particularly included in the discussion as firms' engagement with the VET system cannot be considered in isolation from the recruitment. The last section of the chapter provides a summative analysis of the case-study findings.

## **6.2. Employers' engagement with Turkey's VET system**

In this study, the term 'employer engagement' refers to employers' specific interaction with the VET system. It potentially covers a range of activities that include hosting a one-off school visit to employers' premises, providing work placements, supporting technical projects, mentoring teaching staff, delivering elements of principal learning, mentoring young people, involvement in curriculum design, and setting skills qualifications (Mann et al., 2010; Mazonod, 2013; Haynes et al., 2013). There are several ways to capture the employer engagement. Some of the activities, such as involvement in curriculum and qualification design require proactive engagement- i.e. taking initiative to shape the VET system's characteristics; whereas some other activities such as hosting school visits and providing placements can be considered as passive engagement- i.e. a form of response to the request of the state or schools (Payne, 2008). A further distinction has been introduced by Raddon and Sung (2006). They suggest four different models of employer engagement within different international approaches to sectoral skills, with a particular focus on employers' ability to shape sectoral skill systems. These models, defined as 'employer-involved, employer-modelled, employer-owned, and employer-driven', are based on varying control levels of the state and employers in driving the system- i.e. the state's dominance in imposing an incentive or levy system to involve employers or employers' influence in shaping the VET system in accordance with their demand. This suggests that legal regulation of the state is not the only factor determining employer engagement. Employer-based factors (e.g. the sector, business strategy, and HRM strategy) are also influential in engagement. These factors are substantiated in the next chapter by introducing the findings on the case-study firms.

The Turkish state regulates employer engagement in VET in two ways: through the requirement to employ individuals having a vocational diploma or certificate and through employers' support of VET. The employment requirements are defined by the framework of

the Vocational Qualifications Authority (VQA) Law no.5544 (2006) and the Law of Occupational Health and Safety No. 6645 (2015) (MYK,2015b). According to this regulation, employers operating in the industries with hazardous tasks have to ensure their employees complete the required vocational training and certify their skills officially through a vocational diploma or VQA certificate. The majority of manufacturing/operational works in the automotive industry are labelled as ‘hazardous work’ and the firms, therefore, have to follow the legal obligations.

Regarding employers’ support of VET, one major practice imposed by the state to employers is the provision of on-the-job training (OJT) - i.e. workplace training. According to Article 18 of the 3308 Vocational Education Act (1986), enterprises with more than twenty employees are legally required to provide vocational training to a certain number of final year VET students defined as the minimum 5 percent and maximum 10 percent of their number of employees. They also are required to pay one-third of the national minimum wage to each student during this period. In addition, legal regulations define the VET schedule of students as two days at school for theoretical education and three days at the workplace for practical training. If the enterprises do not comply with the legal requirement in the provision of training, they are obliged to pay two-third of minimum wages to the Division of State Payroll for each student they are supposed to train. This aspect of the practice is strictly defined by legal regulations, and enterprises do not have many options but to follow the regulations.

The Law No.3308/Article.194 states how the implementation of workplace training should take place in coordination between the school and enterprises, and in accordance with the education programme developed by the Ministry of National Education (MoNE) and implemented in vocational schools. This implies that enterprises do not have much room to develop specific programmes or employ the students for different tasks other than those defined by the MoNE. In principle, it is the ‘coordinator teacher’s responsibility to monitor and ensure that the training at the workplace is carried out in line with a vocational education programme in school. The teacher is required to prepare a report explaining the details of the training at the workplace and deliver it to the school administration. But there is not any penalty defined in the related VET regulations for those enterprises that do not follow the required programme. In this respect, there is a question regarding the coordinator teachers’ authority in pushing enterprises to follow the MoNE’s programme instead of their own agenda. Therefore it is likely that not all enterprises follow the defined programme but instead employ students in different tasks.

In addition to providing workplace training, employers also engage in vocational education delivered at schools. This can be considered an employer-initiated but subsequently state-regulated process. The firms which provide support to vocational education at school build a bilateral relationship with the MoNE through a ‘partnership protocol’, that is an agreement signed between the MoNE and the firms (MTEGM, na). Within the framework of the protocols, employers provide several forms of support to schools including the donation of technical equipment, improvement of physical facilities, and organising technical project competitions. The steps that each firm needs to undertake during the protocol process are displayed in Appendix 10. The process illustrates that the firm takes the initiative to engage with vocational schools while the state evaluates the firms’ request and ensures that the protocol is followed properly in line with the MoNE’s regulations. This shows the state’s intervening role in creating alliances between firms and vocational schools.

In principle, firms have three different options in their direct connection with the education at vocational schools: choosing the laboratory model (school-based VET); dual system (workplace-based VET), or no involvement in education. In the ‘laboratory model’, firms can set up their own ‘laboratories’ that are firm-sponsored classes located in vocational schools. Such classes exist next to fully state-sponsored classes within the same school. The state regulates employment and payment of the teachers while firms support their classes with technical material, vehicles, and educational documents as well as through organising seminars and training programmes for both the students and teachers of the laboratories. This ‘laboratory model’ can be considered as a hybrid model combining firm-specific and general form of vocational education. Firms have some room to provide suggestion on vocational education taking place in the laboratories such as introducing particular firm-specific subjects to be taught to students. However, vocational education provided in these laboratories is required to be in accordance with the MoNE’s programme and the final decision still needs the approval of the state. Therefore, the laboratory model is an example of the employer-initiated but state-regulated practice. The model was introduced by Toyota but today the majority of the firms in the automotive industry engage with the delivery of VET by establishing laboratories in vocational schools. A list of these firms is displayed in Table 6.1. As the table shows, the German firms MAN-Turkiye and Bosch differ from other firms in the sense that these firms do not have a laboratory in any vocational school but rather apply a dual VET system approach. It refers to a simultaneous combination of vocational education at school and vocational training at the workplace. It means that during their three-year education, students spend two days at school for theoretical education and three days at the

workplace to gain practical skills. The training that takes place in the firm's training centre reflects the firm's three-year commitment to its students' skill development although the legal requirements ask employers to provide one-year training to the final year VET students. MAN-Turkiye introduced the dual approach by transferring it from the home country (Germany) and adapting to the Turkish context in 1997, although an earlier attempt took place in 1988 at the country level through the collaboration<sup>21</sup> between the German and Turkish government to initiate the dual system in Turkey.

**Table 6.1. Automotive firms and their laboratories/ centres**

<b>Firm</b>	<b>Year of establishment</b>	<b>Number of laboratories/training centres</b>
TOYOTA-TR (T-TEP)	1992	2
Oyak Renault (Turkish-French)	1994	8
Man-Turkiye (German)*	1997	1 dual training centre (Ankara- inside the factory)
Bosch (German)*	1999	1 dual training centre (Bursa- inside the factory)
Ford (American&Turkish)	2001	3
Volkswagen (Dogus)	2005	5
Tofas (Turkish- Italian)	2006	11
Honda (Japanese)	2007	1
Temsa (Turkish)	2008	2
Bosch Car Service (German)	2012	1
Mercedes Benz Turk (German&Turkish)	2014	23
Citroen (Baylas Otomotiv)	NA	1
Volvo (Swedish) distr. in Turkey	NA	2
Otokoc Otomotiv	NA	9

Source: Information of the firms' laboratories/centres was gathered from the listed firms' official websites.

<sup>21</sup> In 2001, the German government withdrew its support from the project of the dual VET approach(Source: secondary data drawn from Bursa Chamber of Commerce and Industry).

### **6.3. Case-study firms' engagement with the VET system**

In order to understand how employers (including both local and international employers) engage with the VET system in Turkey, three case studies were conducted with one German, one Japanese, and one Turkish firm operating in the automotive industry. As explained in the methodology chapter, two separate firms carry out the Japanese brand's (Toyota) operations in Turkey. TMMT is responsible for manufacturing while Toyota-TR is responsible for marketing, sales, maintenance, and repair of the Toyota vehicles in the Turkish market. In accordance with their different operations, the firms also differ in their engagement with the VET system. Therefore, the discussion in this chapter covers these firms' engagement separately.

The analysis of the case-study firms' engagement with the VET system encompasses three major aspects. The next section introduces how the firms are involved in the implementation of VET. This section elaborates the areas strictly defined by the state in the delivery of VET as well as the firms' leeway in taking initiative and applying different practices. The subsequent section briefly discusses the relationship between the firms' engagement with the VET system and their HR practices of recruitment and training. The final analytical section examines the firms' wider engagement with institutional context.

#### **6.3.1. The implementation of VET**

The implementation of VET is regulated at the state level in Turkey. But this does not mean that every single activity concerned with firms' involvement with VET is strictly determined by the state. Firms have some flexibility to determine the form and level of their engagement. Table 6.2 shows how the case-study firms engage with different aspects of the system through different initiatives. The major distinction among the firms is their interaction with the aforementioned forms of VET since these forms determine whether students' learning predominantly takes place at school or at the workplace (see Chapter 3). The dual VET approach associated with an enterprise-based system means that the majority of students' learning takes place at the enterprise through workplace training. The laboratory model, on the other hand, means that the majority of students' learning takes place at vocational school. In both forms of VET, the firms are required to follow the curriculum of the MoNE, in terms of both classroom education (laboratories and dual centres) and workplace training, as it is given while adding slightly different practices to the curriculum. Nevertheless, firms have leeway in implementation process including the selection of students, delivery of education and training, and initiatives not integrated into the VET curriculum such as social activities and technical project competition. Table 6.2 lists the various differences in this respect.

**Table 6.2. Case-study firms' engagement with the implementation of VET**

	<b>MAN-Turkiye (German)</b>	<b>TOYOTA (Japanese)</b>		<b>TEMSA (Turkish)</b>
		<b>TMMT (Manufct. Firm)</b>	<b>Toyota-TR (Markt&amp;Sales Firm)</b>	
<b>Form of VET</b>	The dual VET system (Enterprise-based system)	na	The laboratory model (School-based system)	The laboratory model (School-based system)
<b>Selection criteria for students to laboratories/dual VET system</b>	Written exam Interview Skill test	na	General aptitude test Interview GPA of the 9th grade Absenteeism record of the 9th grade	GPA of the 9th grade Interview
<b>Number of students selected annually</b>	30 students	na	18 students (Per laboratory)	30 students (Per laboratory)
<b>Coordination with vocational schools in delivery of education</b>	Strong	Weak	Strong	Strong

<b>Extracurricular activities</b>	Social and cultural activities (e.g. chess courses, concert and theatre days, etc.)	Organisation of ‘technical project competition’	na	na
<b>Duration of placement</b> (legal obligation is provision of one-year training)	Three-year training programme	One-year training programme	One-year training programme	One-year training programme
<b>Financial contribution to VET</b>	Equipment support to vocational schools; using the firm’s own resources for workplace training (Including payment of students)	Equipment support to vocational schools; using the firm’s own resources for the workplace training (Including payment of students)	Equipment support to vocational schools; using the firm’s own resources for the workplace training (Including payment of students)	Equipment support to vocational schools; using the firm’s own resources for the workplace training (Including payment of students)
<b>Certification of the graduates</b> (laboratories/dual centres)	High school diploma, ‘journeyman’s certificate’, firm-specific certificate	na	High school diploma, firm-specific certificate	High school diploma, firm-specific certificate

## MAN-Turkiye

MAN-Turkiye engages with VET through the dual VET approach (see Table 6.2). It initiated this dual model on the basis of the suggestion by the headquarter (HQ) in Germany. In 1997, the HQ provided an opportunity to the subsidiary's training staff to visit the home country and examine the implementation of the system. The subsidiary was then able to design and implement the dual system in Turkey.

Within the framework of the dual VET system approach, MAN provides a three-year vocational training<sup>22</sup> to secondary-level students in accordance with the 'Vocational Education Law No. 3308' and the MoNE curriculum, illustrating how the dual system is both employer-initiated and state-regulated. In collaboration with the Dual Vocational Education Centre (henceforward 'dual centre') that is officially affiliated to the MoNE and located in a vocational school, MAN enables students' skill acquisition in two main fields- i.e. engine vehicle and metal technology; and three subfields- i.e. auto-electro mechanics, auto-painting, and welding.

When students complete the 9th grade of a high school, they can apply to MAN's dual VET programme. The firm manifests the example of a coordinated employer response to skills formation of individuals in the sense that the students' application and selection process is carried out by the firm in coordination with Ankara Chamber of Industry. During the detailed selection process, the students are assessed through a written exam, interview, and skills tests. MAN selects 30 students each year and signs a training contract with them. During three years, the students spend two weekdays at the dual centre receiving a theoretical education and they spend three weekdays at the firm's training centre receiving practical training.

Regarding the theoretical education of the students, the dual centre follows the 'modular system'<sup>23</sup> prepared by the MoNE. Vocational training at the factory is also regulated in accordance with the MoNE's programme. Nevertheless, some leeway exists enabling the firm to apply slight changes to the curriculum as illustrated by the quote of the HR specialist:

*"Vocational Education Law no. 3308 is a legal opportunity for us. It enables us to deliver suggestions for the curriculum... We can add parts to the curriculum and apply it to our training programmes. We have a legal support in this sense. But we cannot interfere directly with the practices*

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<sup>22</sup> The next chapter shows the reasons for MAN to offer a three-year VET while the legal obligation requires firms to provide one-year vocational training to students.

<sup>23</sup> Modular system is formed of several modules each of which is defined as "independent units of study or training that can be combined in a number of ways to form a course at a college or university" (Source: <http://www.oxforddictionaries.com/definition/english/module> access date: 04.01.2016)

*taking place in vocational schools. We cannot take steps against the inadequacy of teachers in these schools. Law and regulations limit our involvement in the system.” F1a*

This situation was confirmed by a vocational teacher of the dual centre (in school). He stated that the centralised system defines everything from top to bottom- i.e. from the MoNE to vocational education institutions. However, the firm can still shape vocational education at the dual centre. The teacher provided the example how an auto-painting class was launched on MAN's special request.

*“MAN delivered its skills demand to the centre by stating that it would employ all the students to be trained in the painting class. In this way, we do not become dependent on public resources but rather train our students with the firm's resources... In a nutshell, the firm came with such a demand. The school administration and district governorship approved the demand.” Sch1*

Although the state's regulations put a limitation on the firm's influence on the content of education at vocational schools, the latter have greater freedom in implementation. For example, the dual centre (school) implemented a new approach in collaboration with the firm. In terms of the programme of the second-grade students in painting branch, it moved some courses on 'application in the workshop' from the school to the firm's training centre. A similar change took place for the first-grade motor vehicle students. In this way, the students started receiving theoretical education and practical training for these courses in the firm's training centre rather than in the dual centre's classrooms.

During their first year, students receive basic training through simulation programmes at the firm's skills centre. In the second and third years, the students' training is moved to the production site. They are assigned to production sections (e.g. welding, assembly, and painting) where they may be employed in the future. The core of training in these sections is based on job rotation. Through the rotation process, the students learn the work with the supervisors in these sections. A 'coordinator teacher' assigned by the dual centre visits the firm every fortnight to monitor the students' skills development and discuss adjustment of the VET programme with the firm. This illustrates the dual role of coordinator teachers as an execution of individuals' supervision and design of training. In this respect, on-going

communication exists between the firm and the dual centre in terms of tracking the students' performance and absenteeism.

The training programme in the dual system also includes social and cultural activities such as chess and sports courses, museum visits, theatre days and classical music concerts. This illustrates that the firm takes a close interest in its students' technical and social development. During the researcher's visit to the factory, a group of students was about to leave the factory for a museum visit and another group was playing chess. In the meantime, the HR specialist was trying to arrange a concert for the students for the following week. Considering the actual role of an employer that is presumably training individuals for firm-specific agenda, this draws a different employer picture for the subsidiary's skills development approach rather than what a 'typical' employer does. The HR specialist emphasised that MAN-Turkiye takes a holistic approach to students' development, and stated that this approach is the missing part of the national VET system but it is very crucial for the firm's prospective employees.

The students successfully completing the dual VET programme take the 'journeyman exam'. This exam is conducted in coordination with the Ankara Industry and Commerce Chambers. The successful students in this exam receive a journeyman certificate approved by the MoNE. Offering a nationally recognised certificate, the firm increases its students' employability. Besides, the quality of the firm's training programme is well known by other firms in the industry such that they prefer recruitment of the MAN graduates. As illustrated, several other firms also asked for support by MAN in developing a similar training programme in their own factories, proving the German firm's reputation in the industry in terms of its success in implementation of the dual VET system:

*"Even if they (the graduates of MAN's dual training programme) do not work in MAN, well-known large companies in Turkey including TAI, Roketsan, Turk Traktor, and Aselsan hire them. These firms particularly prefer candidates graduated from MAN school. The reason is that we not only provide vocational education and training within three years but also contribute to their acquisition of social skills. This is often not the case in vocational high schools in Turkey."*F1a

This suggests several employment opportunities for the graduates of MAN's training programme but also a risk of skill poaching from the firm's perspective. However, the subsidiary does not have many concerns in this respect, as most of the graduates prefer to

stay in the firm after completing the training programme. Between 1997 and 2004, MAN has had 463 graduates of the dual system and employed 80 percent of them. This indicates that the dual VET system is an important labour source for the firm. The firm also reduces training costs of the post-employment period, as the employees are already equipped with basic skills when they start working. In summary, the dual skill system approach provides a good quality and quantity of labour supply while mitigating the risk of skill poaching. In addition, it offers several benefits including job security and career opportunity to the system's graduates.

## **TOYOTA**

### **TMMT (manufacturing)**

Among the case-study firms, TMMT shows the lowest level of engagement with the VET system (see Table 6.2). The firm engages with the system primarily by fulfilling its legal requirements in terms of training to the VET students during their third year of study. Each year, a certain number of students (the number is changing in proportion with the number of employees) are employed for vocational training. TMMT follows the MoNE's programme in the training of the students and reports their schools for the students' performance and attendance to training.

In addition to its legal obligation, TMMT provides discretionary support to the students' vocational education at the school in two ways: organising an annual 'technical project competition' and donating technical equipment. For both initiatives, the firm coordinates with the local state agency. The technical project competition is a form of engagement initiated by TMMT with a strong encouragement by the headquarters (HQ) in Japan but subsequently regulated by the state. The competition was initiated to support students in vocational schools to generate innovative ideas by working individually or in teams. Since 2005, TMMT has been annually organising the project competition among the secondary level VET students in Sakarya (the city where the Toyota factory is located) in coordination with the National Education Directorate (MEB-Sakarya, 2017). In this competition, students are invited to develop several projects on the themes of energy, environment, automation, and information processing. The students whose projects are selected as the highest ranks are awarded and gain the opportunity to visit the TMMT plant and learn more about the Toyota Production System (TPS). This model of engagement with VET seems to be unique to the Japanese subsidiary as there was not any evidence showing that other automotive firms in Turkey carry out a similar activity.

Secondly, TMMT provides equipment support to vocational schools and improves the education facilities of the schools. According to the information displayed on the company website (Toyota, 2017a), until recently TMMT has donated more than 100 automobiles, and 1000 gearboxes, and engines to the vocational schools. Although TMMT is generous about technical equipment support, it adopts a conservative manner in terms of providing educational documents to vocational schools due to a major concern of confidentiality of the production system and products, as acknowledged by the HR manager:

*“Global Toyota’s know-how sources [meaning commercially confidential] shape the fundamental skills training. We cannot share it with vocational high schools. Global content is essential for us.” F2a*

### **TOYOTA-TR (marketing, sales, service)**

The relationship of Toyota-TR with the VET system is mainly driven by a special programme called ‘Toyota Technical Education Programme’ (T-TEP).<sup>24</sup> Receiving a substantial encouragement from the HQ, the firm launched this programme in 1992 and as part of the programme, it introduced the ‘laboratory model’ for the first time in Turkey. The firm plays a leading role in this sense for other firms in the industry by bringing a different approach for industry-school partnership. Signing an agreement with the MoNE, the firm set up two laboratories in industrial vocational high schools located in Adana and Istanbul and provided technical equipment, new cars, and educational materials to these laboratories. It confirms the firm’s collaborative relationship with the state regarding its engagement with the VET system.

The T-TEP laboratories are considered prestigious among VET students in terms of both good quality education and employability as the firm prioritises its graduates in employment. Therefore, each year a large number of students apply to these laboratories when they complete the 9<sup>th</sup> grade. The firm applies several methods to select the successful students to the T-TEP laboratories by including a general aptitude test, an interview, and the students’

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<sup>24</sup> T-TEP was originally developed in Japan by TMC in 1990 and followed by 224 T-TEP institutions in 23 countries (as of 2011). TMC, TME, and National Marketing and Sales Centres (NMSCs) are jointly responsible for global coordination of the programme whereas local Toyota dealers are involved in the programme through providing on-the-job training to the selected students. The Toyota national distributors running T-TEP in their markets are listed as: Austria, Baltics (Est., Lat., Lith), Belgium, Toyota Central Europe (Czech Republic, Hungary), Denmark, Finland, France, Germany, Iceland, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland, UK, Turkey, and Russia (Source: information provided by the Project Management of Toyota A.S. Customer Service Training).

GPA and absenteeism of the 9<sup>th</sup> grade (Table 6.2). 18 students are selected each year for each laboratory. The selected students receive the technical education in the laboratories for three years. In their final year, the students spend three weekdays in the Toyota services for vocational training while continuing education in the laboratories during two weekdays. Once completing the three-year programme successfully, they are awarded a T-TEP certificate in addition to a high school diploma. Actually, the laboratory model offers a mutual benefit for both the students and the firm. As aforementioned, the students receive a quality and up-to-date education in the laboratories and therefore they have an employment opportunity in the firm. However, there is not much evidence in the sense that to what extent the skills acquired in the T-TEP laboratories are transferable to other car distributors and after-sales services.

Toyota-TR also benefits from the laboratory model by meeting its demand for qualified employees. Training its employees in an earlier period before employment brings a cost-effective advantage to the firm in terms of time and resources. The firm uses the state's schools and teachers for the training of students and it only provides required equipment. Besides, it does not waste time in training these people after recruitment but rather builds on their existing skills and knowledge. The T-TEP graduates start from the 3<sup>rd</sup> level of training when they start to work in Toyota because the T-TEP certificate means that they already completed the 1<sup>st</sup> and 2<sup>nd</sup> level of training in the -TEP laboratories. However, the amount of labour supplied by the laboratories is not sufficient to meet the firms' skills demand. Toyota-TR has a number of distributors and services in each city of Turkey whereas only around thirty-six students in total graduate from the T-TEP laboratories each year. Therefore, the firm still has to offer an entry-level technical training for a number of newcomers who are not T-TEP graduates.

Education provided in the T-TEP laboratories covers the basic level courses related to periodic maintenance, engine, electronic fuel injection, drivetrains, chassis, and electric equipment. The training stage encompassing these courses is defined as 'step1 and step2 training' in Toyota. These steps of the training constitute 70 percent of the 'T.E.A.M-21' (Toyota European Association of Manufacturers) training programme applied in the same way to the foremen, technicians and assistant technicians working in the Toyota distributors and services. Delivery of this initial training (step1 and step2) is particularly important for the firm as it builds on these steps by providing the training courses for step 3 and 4 at its own training centre. Therefore, the firm's training staff controls the education in its laboratories closely to ensure the quality and content of education. They also meet the T-TEP teachers weekly to revise the laboratories' specific needs as well as the firm's requests. This confirms

the existence of strong coordination between the firm and its partner schools having the T-TEP laboratories.

As part of T-TEP, the firm provides training support to not only students but also to the teachers of the T-TEP laboratories to update their knowledge of Toyota. This shows how Toyota-TR follows the development of both the students and teachers closely and updates their knowledge in accordance with the changing Toyota technology. The firm supports the T-TEP teachers with up-to-date education material based on Toyota production systems. The teachers receive access to the firm's online information sharing system known as 'Toyota Connect'<sup>25</sup> and use the available training sources provided by the firm to update their knowledge. In this respect, the firm differs from TMMT, the manufacturing firm of Toyota that is highly conservative in sharing information with vocational schools. One major reason for this difference seems to be that the nature of tasks the T-TEP graduates work on when they start working in the Toyota distributors and services, and the required technical skills for these tasks, are different to those in TMMT. Particularly the employees in Toyota services deal with maintenance and repair of cars and consequently need broader and deeper knowledge about a car's production system and its functions. This needs a longer training period, which may also explain the reason of Toyota-TR's engagement with the VET system and its provision of basic level training to individuals at vocational school before employing them. TMMT, on the other hand, uses a high level of automation in production, and this enables the employees to deal with less sophisticated tasks after training within two weeks following their recruitment. This explains why the firm does not need to coordinate with vocational schools and start technical training in an earlier period and why it does not share know-how with vocational schools.

Despite Toyota-TR's strong coordination with its partner school and its influential role in vocational education, the state still determines the framework of vocational education delivered in the laboratories. In this respect, the T-TEP teacher said:

*"In the past, the firm (TOYOTA-TR) had been directly involved in vocational education in the T-TEP class. Seven-eight years ago, however, the national VET system was transformed to the modular education system. Inspectors of the MoNE visited our laboratory and stated that 'you will not follow the Toyota programme but instead you will follow the*

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<sup>25</sup> Originally developed by Toyota Motor Corporation (the HQ in Japan), the system of 'Toyota Connect' virtually connects all Toyota dealers and service centres and enables them to exchange information. It is also an online source of training, having simulation programmes. This can be also interpreted as the 'best practice' strategy that Toyota adopts to assemble and disseminate key lessons among its dealers and service centres.

*MoNE programme'. They added: 'You can still teach the students through the Toyota case. For example, while covering the topic of the engine, you can teach Toyota's internal combustion engine but you have to follow the order and structure of the MoNE programme'... In other words, the MoNE defines the framework of vocational education and allows us to fill the content (of the courses) with examples of the Toyota system.'* Sch3

The representative of Toyota-TR confirmed that vocational education in Toyota laboratories has to be in compliance with the MoNE's modular system in terms of the courses' outlines and duration. There is some room for the firm to shape the courses' content by adjusting to Toyota's education programme. For example, while teaching the automotive systems, the teacher can follow any sources and teach the course content in line with the selected sources. However, they need to follow the Ministry's annual plan as the framework. In this sense, the MoNE's instructions are clear about which topics to be covered in which year. The MoNE defines the main contents of these topics in the modular system that are listed as basic engine, cooling and heating system, and air conditioning system. This shows the state's strong controlling role even in employers' discretionary support of the system despite leaving some room for the employers to incorporate firm-specific content to vocational education.

The modular system developed by the Ministry, however, does not always provide satisfactory guidance in terms of teaching a particular topic. For example, the T-TEP teacher prefers to use the Toyota system while teaching the topic 'air-conditioning system' (ACS) because the related modules of the state are outdated when compared to the constantly changing technology of Toyota. Toyota has recently started using electrical ACS but this is not incorporated in the modular system yet. This situation leaves no alternative for the T-TEP teacher but to follow the Toyota system in teaching while only complying with the Ministry's course plan as the framework.

## **TEMSA**

As Table 6.2 shows, TEMSA displays similarity to Toyota-TR in its engagement with the VET system. The firm's interaction with the system mainly takes place through its laboratories. TEMSA set up two automotive laboratories at vocational schools in Adana and Istanbul by signing a protocol with the MoNE. The firm equipped these laboratories with technical infrastructure including a bus, the whole vehicle chassis, all pieces of an engine, and computers. The firm established the laboratories to meet its skills demand, primarily in

the fields of automotive body and painting as well as after-sales service and maintenance. The laboratories provide vocational education in accordance with the MoNE curriculum. However, in common with the German subsidiary, the firm-based demand is still influential to some extent in shaping the education in the firm's laboratories. For example, struggling to find the required labour in auto-painting, the firm established the auto-painting laboratory and employed all of the graduates of this laboratory, which indicates the firm's collaborative relationship with the partner school in meeting its skills demand.

Perceiving the laboratories as an important source of the prospective labour, the firm pays close attention to the selection of the students. Each year, it interviews many students to select around 30 to be trained in the Temsa laboratories. In their final year (i.e. 12<sup>th</sup> grade), the selected students spend three weekdays at the Temsa factory and service centres for vocational training while attending the school for two weekdays. By training these students, the firm also fulfils its legal obligation that is explained earlier in this chapter. The whole process of training the students is coordinated by the firm and school together. The 'coordinator teachers' assigned by the school regularly visit the factory and the firm's service centres to monitor whether the students receive vocational training in accordance with the MoNE's programme. However, it is not known clearly how this training is organised inside the factory by combining the state-driven general programme with the firm's specific production system.

TEMSA's relationship with the system is not limited to the provision of technical equipment to the laboratories. It also has strong communication with teachers of these laboratories in terms of improving vocational education. The TEMSA training team organises monthly visits to the partner schools to give seminars and workshops for the students and teachers on several topics including automotive technology, alternative engines, automotive electronics, and quality systems.

### **6.3.2. The implications for the firms' HR practices**

Firms' engagement with the VET system cannot be considered in isolation from their HR practices of recruitment and training because, besides legal requirements, the firms' primary motivation in interaction with the system is to meet their qualified labour demand. Comparison of the case-study firms in this sense provides an important insight and indicates how their relationship with the system is interlinked with their decisions to select individuals with a VET background and provide in-firm training (see Table 6.3). The findings from the

case-study firms will be introduced in the following sub-section. In respect to the link between recruitment and certification of vocational skills, as introduced in the previous section, the state has regulated employment requirement within the framework of the VQA Law and the Law of Occupational Health and Safety. These laws require employers to ensure that their employees have completed required vocational training and acquired the state-recognised vocational diploma or certificate. This is to promote transferability of skills in the same industry by valuing the industry-specific certificates.

**Table 6.3. Case-study firms’ HR practices of recruitment and training**

	<b>MAN-Turkiye (German)</b>	<b>TOYOTA (Japanese)</b>		<b>TEMSA (Turkish)</b>
		<b>TMMT Manufct. Firm</b>	<b>Toyota-TR Markt&amp;Sales Firm</b>	
<b>Recruitment</b>	Only VET graduates	Both VET and non-VET graduates	Both VET and non-VET graduates	Only VET graduates
<b>Skill specificity</b>	Industry-specific skills	Firm-specific skills	Firm-specific skills	Industry-specific skills
<b>Ongoing training of employees</b>	Adapted to emerging training need of individuals	Shaped by in-firm training curriculum	Shaped by in-firm training curriculum	Adapted to emerging training need of individuals

Skill specificity in Table 6.3 refers to the dominant skill type to be generated in the case-study firms’ training practices. This can be distinguished as the firm-specific and industry-specific skills. In terms of firm-specific skills, the required skills are predominantly acquired within the firm boundaries and are less likely to be portable to other firms even in the same industry. Industry-specific skills, on the other hand, are mostly the outcome of the joint decision-making of social actors and are expected to be more portable. The literature of the varieties of capitalism argues that Germany and Japan are two coordinated economies that drive skill specificity (Culpepper, 2007). The training regime of Germany is characterised by a balance of industry and firm-specific skills (Anderson and Hassel, 2008). In the Japanese training regime, on the other hand, the skills are predominantly firm-specific (*ibid*) and

therefore less likely to be portable. The findings from the MNCs from Germany and Japan in this research also show consistency in this regard, which will be elaborated in the following sub-sections.

Ongoing training of employees, another theme displayed in Table 6.3, is distinguished between a structured training curriculum that a firm applies in the same way to all the production-line employees and the provision of training driven by emerging need of specific employees, therefore expected to be more employee-specific at least in terms of the training schedule.

The research also examined the extent of the firms' skill-based relationship with their suppliers to understand whether any training exchange happens between the firms and their suppliers. Manufacturing firms (buyers) and suppliers can be in an explicit training exchange by sharing training resources including staff and documents. Alternatively, instead of being directly involved in the skills development of the suppliers, buyers may provide indirect support to their suppliers by arranging training from external sources such as consulting and training firms. According to the findings of this research, the content of such training predominantly covers several issues including information systems and order management. In addition, buyers and suppliers can build a technical cooperation network and exchange wider measures of support through supplier development teams. In this research, product type and suppliers' expertise are found to be the two major factors shaping the skill-based relationship. Product types, differentiated as standard and non-standard products, are expected to create different types of relationship between the buyer and supplier (see Gereffi et al., 2005; Sturgeon and Lee, 2001). Standard products do not change substantially according to the buyers' specific requests whereas non-standard products are produced according to the special requirements of their customers. Findings show that the case-study firms do not have any explicit training exchange with the suppliers producing standard products (e.g. engine or air conditioning system) and rather limited exchange of non-standard products (e.g. body, chassis, and metal components). Instead, these manufacturing firms and their suppliers share technical assistance to achieve quality products delivered on time at a minimum cost. Suppliers' expertise is found to be highly influential in determining which party- i.e. buyer or supplier- needs technical or training support. If a supplier is an expert on a particular product, it can provide technical assistance or skill support to the manufacturing firm on specific aspects of the product. For example, a sealer supplier provides training to its customers on specific sealer techniques. On the other hand, if the supplier experiences an early stage of development and does not have sufficient expertise on the product, the buyer provides

technical and training support to the supplier on several issues such as welding and use of manual tools.

### **MAN-Turkiye**

The company requires specific qualifications and vocational certificates from applicants during recruitment. A high school graduate cannot apply for a technical position at MAN-Turkiye. An applicant needs to be a graduate of a vocational technical school. Vocational school diplomas and competence certificates provided by these schools and approved by the state are assumed to meet MAN's basic requirements. An important source of labour in this sense is the graduates of the firm's dual VET system as the firm prioritises their recruitment. The firm employed 80 percent of the graduates of its dual skills development system until 2014. The career of these graduates is not limited to MAN, but they may be employed and even sought after by other companies, showing that transferability of skills is a source of proud for MAN. This also introduces the risk of skill poaching. However, the company has overcome this problem by creating a skill 'pool' (a database of candidates having a specific area of expertise who are interested in working for the company) (Employment Office, 2003). By recruiting only VET graduates, the firm assumes that they have the basic knowledge on the related technical tasks. However, admitting that even the majority of these graduates (excluding the graduates of the firm's dual system) are not adequately competent in terms of technical knowledge and skills, the HR specialist highlighted that all new employees except the dual VET graduates receive intense initial training for 3-6 weeks. This training is customised to individuals depending on their prior experience and vocational qualifications. OJT characterised by a contingency-based approach mainly shapes the employees' skills development. The HR specialist explained that an employee basically learns a specific task by observing his supervisor's performance on the job and then reflecting on it. It does not mean that the firm does not have any systematic training schedule but rather suggests flexibility in the employees' learning process.

MAN also uses several tools for OJT such as simulation and 'learning island' in the employees' training. 'Learning islands'<sup>26</sup> are special tables located in the skills development

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<sup>26</sup> 'Learning island' is a special place to learn a task in a short time and effective way. There are special mobile tables on which relevant tools for a specific task and its visual and written instructions are placed. Here, employees can learn both theoretical and practical aspects of several tasks including pressing, threaded connections, measuring, bonding, car mechanic, etc. First, employees watch the video of a particular task with their supervisors. Then they use the tools in mobile tables and learn by doing. At these tables, employees work in teams and teach each other. Within groups of 6-8 individuals, employees can learn the required task in 2-3 hours through this method of 'learning island'.

centre with different sets of tools for learning different skills. This is seen as an effective tool designed by the subsidiary to enable the employees to gain the required skills in a short time. Rotation is also considered as part of the OJT practices. The firm uses a team-based rotation approach. It means that employees working in a particular team with 8-10 people learn all the tasks in this team. This form of rotation enables the company to generate a back-up of particular skills. In exceptional cases such as when the firm needs a multi-functional employee, it may also apply an organisational level rotation by moving an individual to a different production line.

In addition to OJT, the firm also offers classroom training mostly by using its in-house sources to its employees for theoretical information or the introduction of a new technology or product. The firm's own employees deliver such training in the skills development centre. The HR specialist stressed the quality of this training and commented:

*"We often prefer using our internal trainers since it is more effective and efficient in terms of the nature of our work. Our employees are competent in training issue... We ask them to give training support in that area. We certificate their training competency... In short, we have a strong in-house mechanism sustaining technical training."* F1a

As highlighted earlier, the firm recruits VET graduates and takes their prior knowledge into account. However, confirming this system's quality problems, MAN has also established a strong in-firm skills development system. In this respect, it is not dependent on the HQ though still receiving substantial support from the HQ, which suggests that a high level of autonomy shapes the subsidiary's training practices, as illustrated by the HR specialists' quotes below:

*"We act in a more autonomous way in designing and documenting of training here... We carry out HR planning jointly with the HQ, but in terms of meeting the local needs, we have a more autonomous system in particular for blue-collar training."* F1b

*"The Skill Training Centre (of the Turkish subsidiary) is responsible for all forms of training for the blue-collar employees. Training documents are prepared here, but we come together semi-annually in Germany with other subsidiaries' skill centres. We share our experiences and training materials with each other."* F1a

## **TOYOTA**

Although the two Toyota companies, the manufacturing and marketing/sales firm, displayed a substantial difference in engagement with the national VET system, they follow similar routes in their employees' skills development by applying the training practices developed by the HQ. It suggests that centralised relationship with the HQ shapes Toyota's in-firm training practices, especially when compared with the German subsidiary

## **TMMT**

TMMT accepts job applications of individuals from any background. It means that the firm does not require any specific vocational certificate or diploma from candidates. However, the firm expects the candidates to have basic skills such as the ability to use hand tools and complete a task in a short time period. The maintenance job is an exception. The firm requires the candidates to have the skills specific to this job because the nature of this job requires a longer time period for an individual to acquire the necessary skills.

The state's regulation requires employers to employ the individuals who have vocational certificates related to the industry. However, the statutory requirements do not exactly define how employers achieve this, which offers some room for employers to follow different routes. Within this context, in the case of recruiting the non-VET graduates, the firm trains them and enables them to acquire a nationally recognised certificate in collaboration with ISKUR (Turkish employment agency) before employing them in a particular job. In later periods of employment, however, the firm does not offer any certificate for the upgraded skills since employees are constantly rotated at the production line and the skill needs also change in accordance with the rotation process. In other words, the dynamic nature of work organisation makes it difficult to certify in-firm skills.

The firm trains all newcomers from scratch according to Toyota Production System (TPS) as if they do not have any prior technical knowledge even if they are VET graduates. It means that qualifications and job experience are not a critical requirement for the firm's recruitment strategy. This fits into the firm's strategy to employ all newcomers at the entry level. As mentioned, the only exception is the maintenance position for which the firm stretches its recruitment strategies.

The training practices are highly structured by the instructions of HQ. Training standards are defined in Japan and even training packages come from Japan. The firm representatives

highlighted the importance of Toyota standards on the subsidiary's practices, as commented by the HR manager:

*“Toyota has structured training standards. Toyota Turkey follows these standards. Toyota Japan has the control and authority of training packages. It is a large multinational company. It is a risk to leave even a small room for changes in standards. Toyota has strict rules at this point.” F2a*

A special training programme called ‘master plan’ is applied for employees’ development. Employees are categorised at four levels: team members (TM), team leader (TL), group leader (GL), and chief leader (CL). The level of TM has sub-levels defined as TM1, TM2, and TM3. The employees in each group receive different training modules. For example, a TM1 is required to complete the training on basic Toyota Production System (TPS), communication skills, and effective teamwork. An employee qualified as TM2 receives training on quality control circle (QCC), problem solving, and Toyota Job Instruction (TJI). The qualification of TJI shows that these employees are required to learn not only technical skills but also teaching skills to teach the task to their subordinates. This situation also illustrates that the task of teaching is highly structured and standardised in Toyota workplaces such that the HQ directly regulates the certification of TJI. Toyota’s training policy for technical skills is based on rotation and On-the-Job-Development (OJD). The HR specialist explained why OJD but not OJT by stating that ‘development’ is attributed to a process in which the employee is more flexible in learning a task, not limited to a particular time period to develop his skills. The subsidiary also offers classroom training within the ‘master plan’ training programme. Classroom training generally serves as an initiator to apply OJD in production. This form of training is mainly provided through in-house sources as it is assumed that employees can best learn with real-life cases and examples from the TPS. In this respect, even outsourced training needs to be adapted to the Toyota context. The firm’s highly structured and firm-specific training makes transferability of skills a difficult issue. The skills are so embedded within the Toyota context that individuals may not find a similar environment in a new workplace to use their knowledge and skills when they change the job.

## TOYOTA-TR

Toyota-TR prioritises the recruitment of the VET graduates, and particularly the graduates of T-TEP laboratories. However, the number of graduates of the laboratories, around 36 graduates each year, is not sufficient as the firm has around 58 branches in Turkey. The firm, therefore, uses external labour market to meet its labour demand. In the case of recruiting non-VET graduates, the firm follows the same path with TMMT by training these people and enabling them to acquire nationally recognised skills before employing these individuals.

Regarding the employees' training, the firm has a strong connection with the HQ and follows the training programme developed by the HQ, which reflects the same pattern with the TMMT case. The information sharing system 'Toyota Connect' is an important instrument enabling the firm to connect with other Toyota distributors and service centres in the world and to update its training programme regularly. In this respect, the training manager of the firm said:

*“Regardless of the owners' background, all the Toyota distributors in the world have to apply the same training programme developed by TMC- the HQ in Japan. For example, the distributors in America implement the same programme as the distributors do in Turkey, may be with only slight changes according to the markets' specific needs. All the distributors use the same portal 'Toyota Connect'. Same exam questions, same certificates, same training courses...” F3*

This indicates the centralised relationship between the firm and HQ in the skills development of employees. However, unlike TMMT, the firm's training practices are not completely independent from the VET system as they are linked with the training provided in the T-TEP laboratories. It means that at least for the T-TEP graduates the training is an on-going process that starts before their employment and continues after their employment in the firm's distributors and service centres. The T-TEP graduates start with the step 3 and 4 when they are employed by the firm as they already completed the initial training of step 1 and step 2 and received their certificates for this level of skills.

As in the case of TMMT, the highly structured nature of training is mainly shaped by the instructions of the HQ. This suggests that strong firm-specific skills for employees make it difficult to transfer these skills to a workplace environment having a different production system than Toyota.

## **TEMSA**

The firm recruits only VET graduates and it prioritises the recruitment of the graduates of Temsa laboratories and interns completing their training in Temsa factory and service centres. In-firm training builds on this prior knowledge. Nevertheless, all newcomers receive 5 days of induction training to familiarise themselves with the firm's production system and tools. As the next step, they receive basic competence training on the job they are employed for. This training takes around 5 weeks. Subsequently, the employees take a vocational exam and receive their certificates. After receiving the basic competence certificate, they go through a training period of six months and then take the firm-specific exam for technical competence certificate. This exam covers seven main assembling groups listed as mechanical assembly, body integration, welded assembly, trim assembly, electrical assembly, paint shop, and quality control.

The employees' skills development is mainly shaped by the OJT approach. The HR manager estimated that an employee's development is shaped for 70 percent by OJT, for 20 percent by listening and watching a supervisor, and for 10 percent by classroom training. The firm also organises external training through collaborating with training agents. This training may concern both technical issues such as lubrication, axle and engine, and non-technical issues including occupational health and safety training and environmental training. The training policies of the firm show that employees' skills development is adapted to emerging need.

### **6.3.3. Engagement with VET actors in the Turkish institutional context**

This third section is organised to show the level of embeddedness of the case-study firms in the Turkish context through their relationship with the VET actors including the state, vocational schools, and industry chambers (see Figure 6.1-6.4). Some of the information displayed in the figures is already mentioned in the section on 'the implementation of VET' while comparing the firms' engagement with delivery of VET; therefore, they are not repeated in this section.

## **MAN-Turkiye**

Transferring the dual VET system approach from the home country, the German subsidiary (MAN-Turkiye) has a wider connection with VET actors in its engagement with the Turkish VET system when compared with other firms (Figure 6.1). The firm works in close coordination with the Ankara Chamber of Industry and the MoNE in applying the dual VET system including the processes from selection to examination and certification of the

students' skills. The firm's connection is not limited to the state agencies, but it is also connected to the industry representatives. Being a member of the Employers' Association of Metal Industries (MESS), the firm is in close contact with this institution in the sense of exchanging ideas on skill-related problems of the industry and improvement of vocational training. In implementing the dual system, MAN-Turkiye has substantial support from the HQ that initially encouraged the firm to establish the dual system. The HQ also provides support in terms of exchanging ideas and resources for the development of the subsidiary's employees and building a network among the subsidiaries' training staff to share experiences. Nevertheless, MAN has an autonomous structure in terms of financing, designing and planning its training practices.

## **TOYOTA**

TMMT has a relatively narrower relationship with the institutional context of the host country, particularly when compared with MAN (Figure 6.2). The firm's engagement with the system is basically limited to its relationship with the MoNE and vocational schools in the form of equipment support to the vocational schools, organising a technical project competition, and fulfilment of its legal obligation by training VET students at the factory. The firm does not interact with other actors such as chambers or industry representatives. The HR manager emphasised this point several times during the interview. He commented:

*“Toyota is not open to external actors. Its operations are based on an inward-oriented approach... We are not a part of the MESS (employers' association) and thus we do not belong to the structure (setting vocational standards) formed by a group of firms including Tofas and Renault. We are independent of all these things but rather live in a world of our own.... The MESS has initiated preparation of vocational standards through the VQA. People from Tofas and Renault attended the committee preparing these standards but we did not attend.” F2a*

Non-membership of the employers' association obviously results in limited influence for TMMT in shaping the vocational qualifications and standards at the industry level. But, the firm does not have concern in this respect; it rather focuses on maintaining the global Toyota standards in its employees' skills development. In relation to this, TMMT has a centralised relationship with the HQ such that it transfers the training practices from the HQ and applies almost in the same form in its in-firm training. This in general shows that on the contrary to

its weak relationship with the host country context, TMMT has a strong coordination with the HQ on its training practices. From the employees' perspective, the implication of the firm's not being part of the VQA and its valuing of firm-specific skills may burden the risk of gaining non-transferable skills and less opportunity for job mobility. However, the firm's promising job security may be a compensation for the employees (Estevez-Abe, et al. 2001). As compared with the manufacturing firm of Toyota, Toyota-TR has a stronger connection with the VET system through its laboratories. Nevertheless, its engagement with the institutional context is limited to the state agency, i.e. the MoNE, and the firm's partner school. Therefore, it has a narrower engagement than the German and Turkish firms (Figure 6.3). Particularly considering the absence of the firm's connection with the industry representatives, it is suggested that the firm, like TMMT, primarily is concerned about in-firm skill standards while remaining passive in the improvement of the industry-level vocational standards.

### **TEMSA**

The Turkish firm (TEMSA) has a wide connection with the institutional context (Figure 6.4). The laboratories it established in vocational schools are the main instruments building the firm's relationship with the state and the vocational schools. Moreover, the firm not only has a close connection with its partner schools but also with the schools located nearby the factory to meet its labour demand. The HR specialist's informal network with these schools' teachers is important in this respect, as illustrated by the quote below:

*"I have a close relationship with the vocational schools. I have all contact details of the teachers (around 110 teachers) in the vocational schools in Adana and Tarsus. When I need an employee urgently, I send bulk e-mail messages to all the teachers in my network. For example, I say 'I need ten employees to work in the metal field' and they send me what I request."* F4b

In addition, like the German firm, TEMSA is a member of the Employers' Association, i.e. MESS, and in regular contact with this institution in terms of skill-related problems and improvement of the vocational standards. The HR specialist mentioned his recent attendance at a meeting organised by MESS in collaboration with other industry representatives to discuss employers' challenges in coping with skills shortage problems.

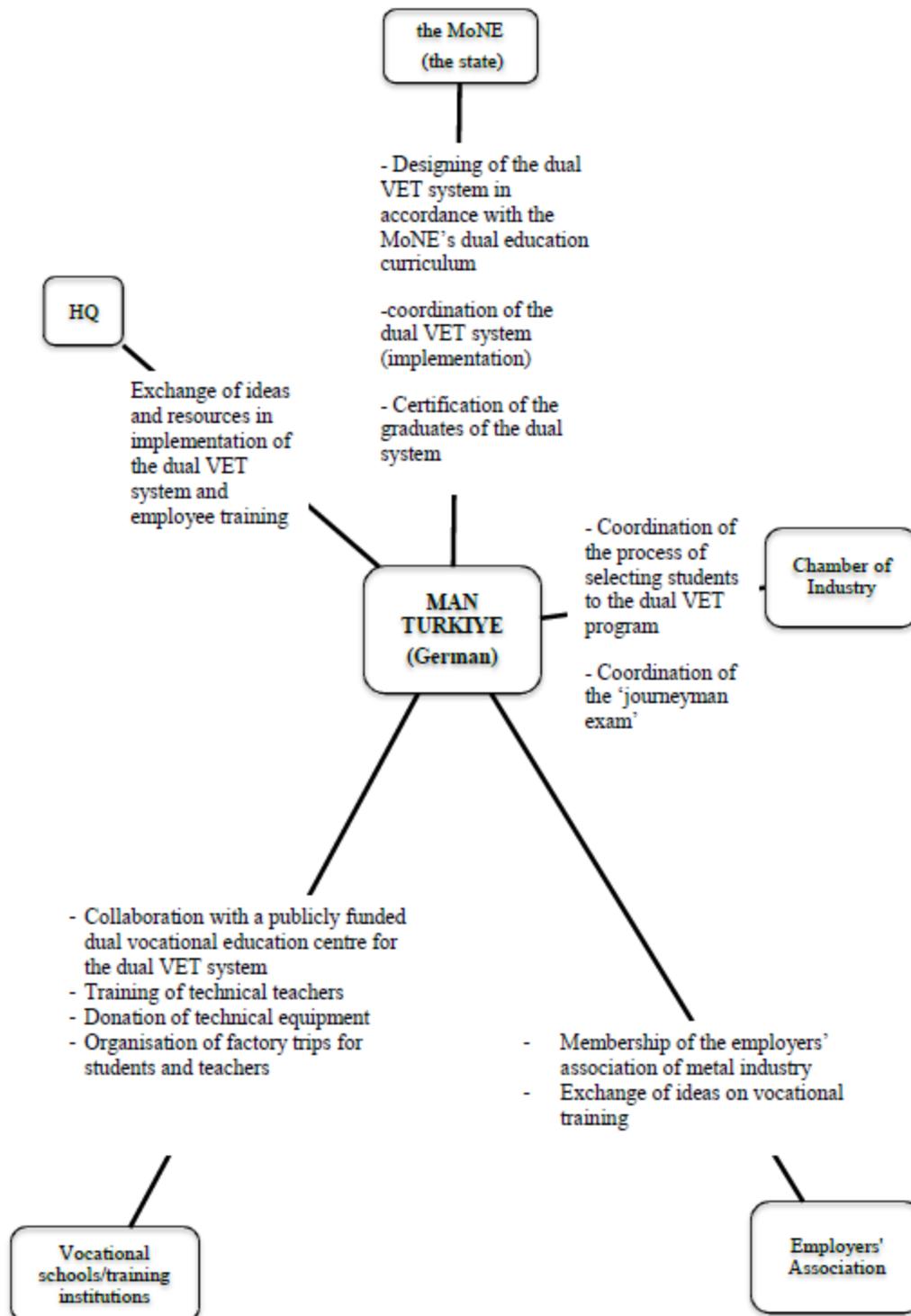
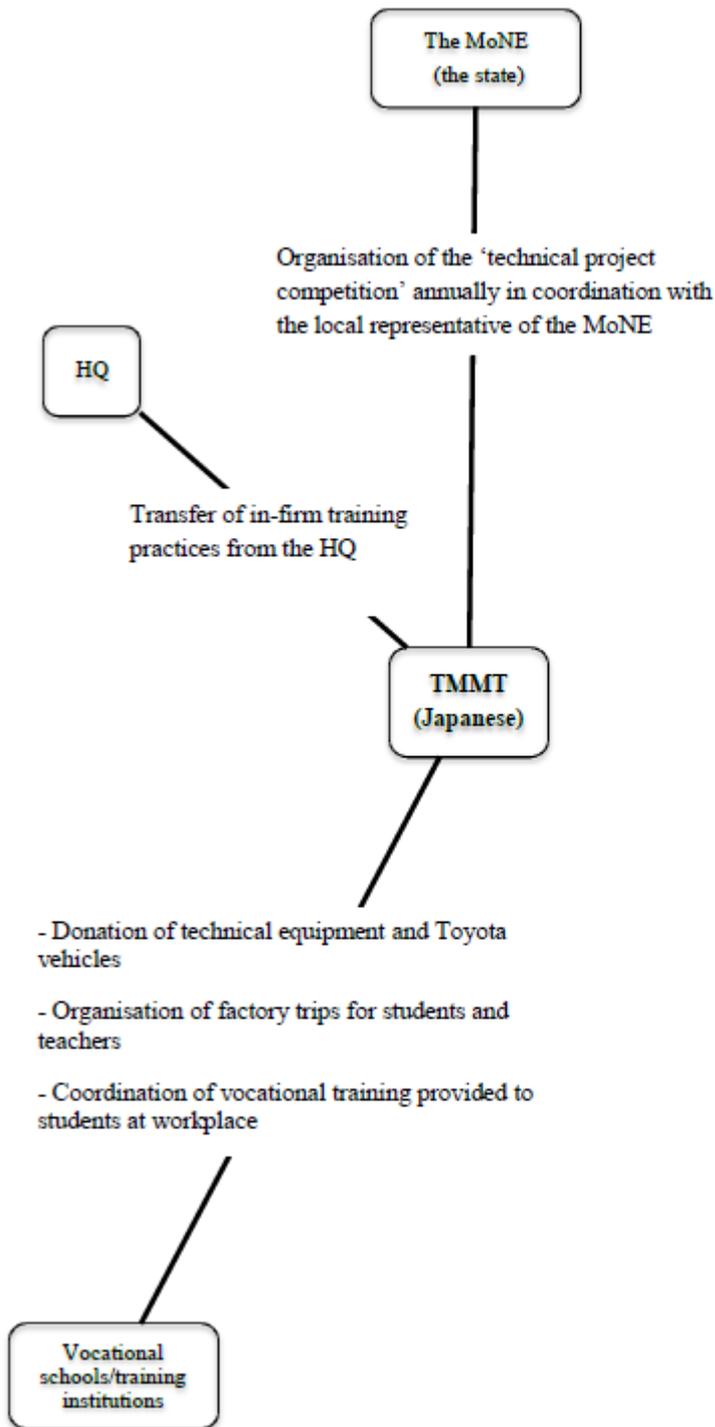
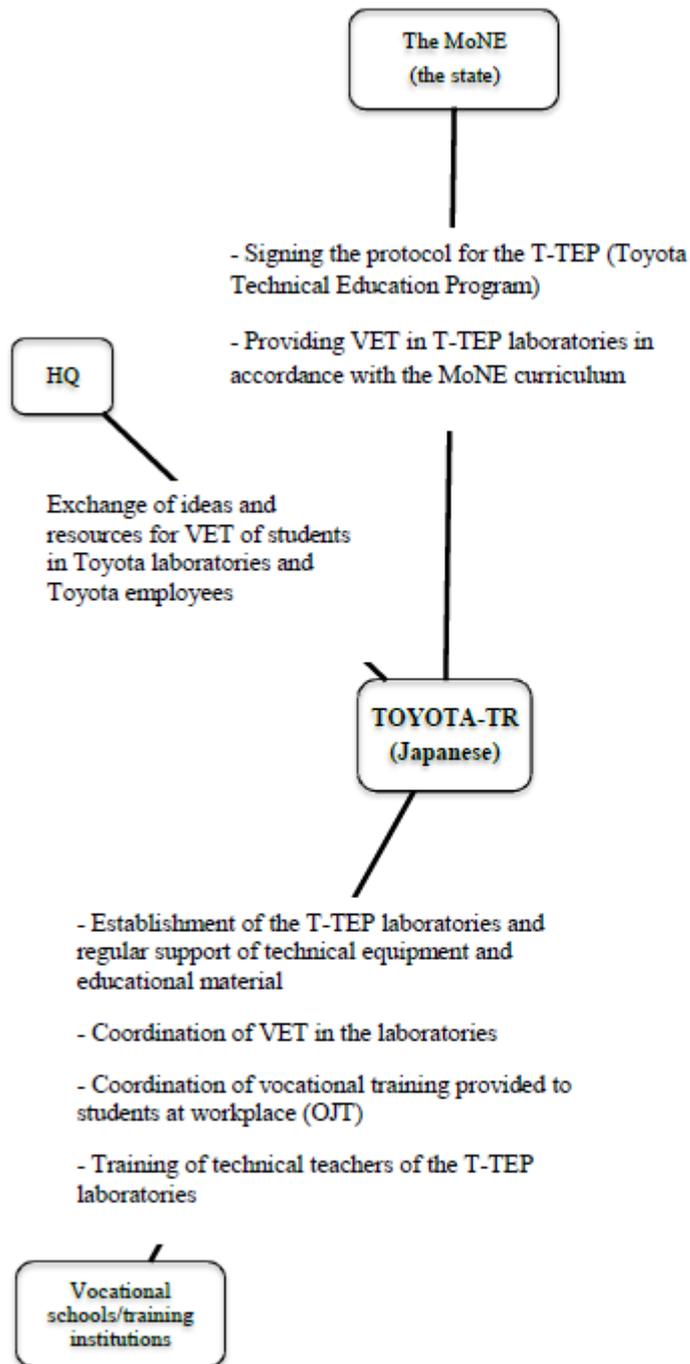


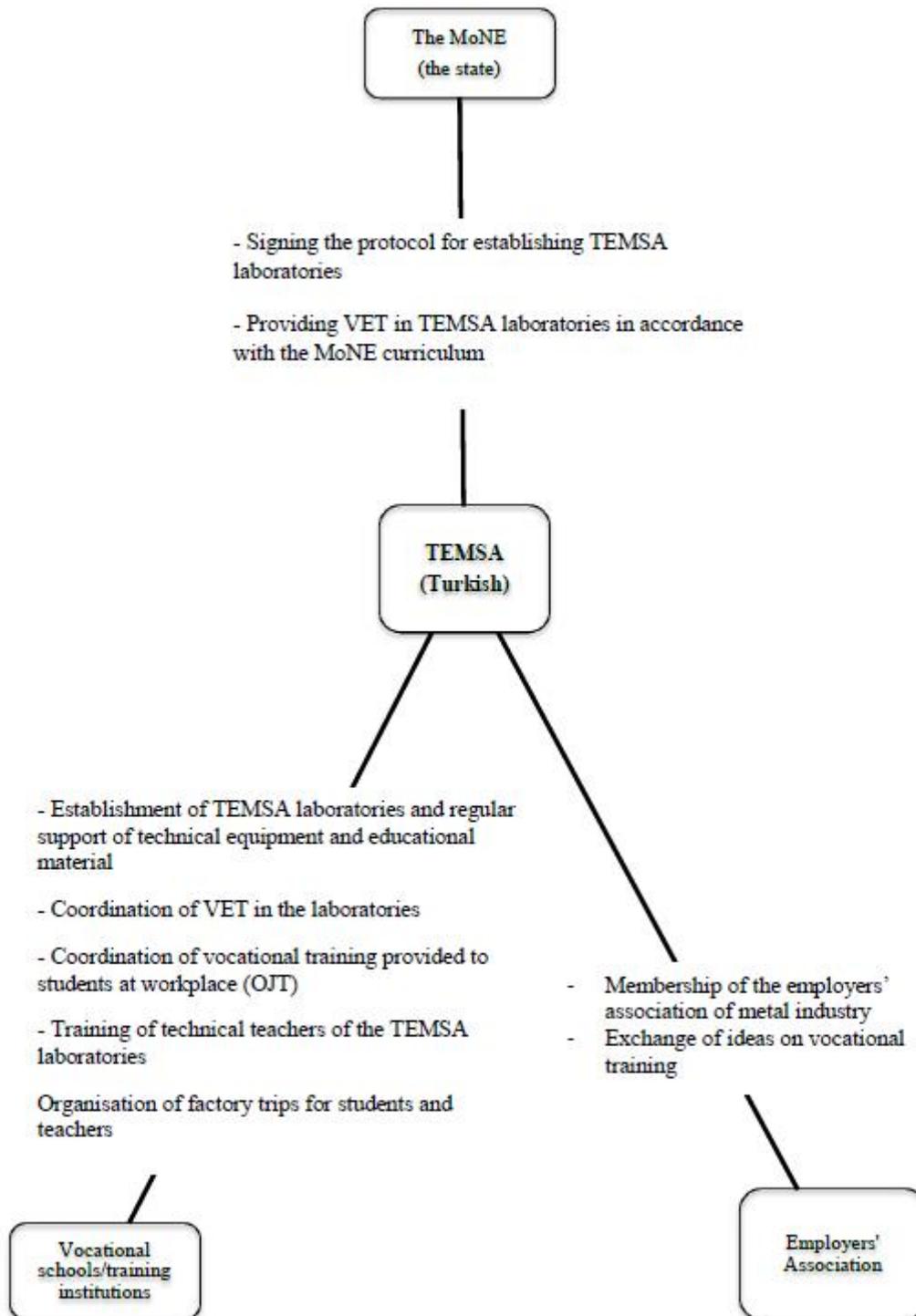
Figure 6.1. Engagement of MAN-Turkiye with the host country institutions



**Figure 6.2. Engagement of TMMT with the host country institutions**



**Figure 6.3. Engagement of TOYOTA-TR with the host country institutions**



**Figure 6.4. Engagement of TEMSA with the Turkish institutions**

#### **6.4. Summative analysis**

In connection with the research question introduced in this chapter, three major issues deserve further attention: strictly regulated areas by the state and firms' leeway, firms' different engagement with the VET system, and MNCs' influence on the host country's skill system (see Chapter 8 for further discussion). One of the major aims of this chapter is to assess what is required and regulated by the state, and what areas are left as leeway for firms. The state regulates the legal responsibilities of firms in terms of their support of VET students' workplace training and recruitment practices by requiring firms to employ individuals with state-recognised vocational certificates or diplomas. The state does not impose any legal obligation to the firms in terms of their support of the education at vocational school, but it still regulates the firms' practices in this sense. In respect to the firms' in-firm training, however, the state does not play an intervening role. The firms have leeway to plan and organise training of their employees. These findings confirm the argument presented in Chapter 5 that the state plays a dominant role in regulating and controlling the initial VET (skills development of individuals before employment) while leaving more room for employers for further VET (individuals' skills development after employment). One important point that emerges from the findings is that even if the state imposes a levy system to encourage firms' support of VET, the major motivation of firms to engage with the VET system is not to avoid the sanction arising from the levy system but rather to cope with their skill shortage problem.

The second major issue is firms' different level and form of engagement with the system. Drawing on the findings introduced in the previous section, the case-study firms can be classified in an engagement framework that is formed to obtain deeper insight regarding the firms' interaction with Turkey's VET system (Table 6.4). The framework consists of two dimensions: collaboration with the VET actors (the state and vocational schools) in the delivery of VET and the span of engagement with the institutional context. It is seen that the firms vary in level of their collaboration with the VET actors and the span of engagement. There are several factors explaining the similarities and differences of the firms' interaction with the VET system, which are covered in detail in the next chapter.

**Table 6.4. Case-study firms' engagement framework**

		<b>Collaboration with the VET actors in the delivery of VET</b>	
		<b>Strong</b>	<b>Weak</b>
<b>The span of engagement with the VET actors in the institutional</b>	<b>Wide</b>	MAN-Turkiye (German) TEMSA (Turkish)	
	<b>Narrow</b>	TOYOTA-TR (Japanese)	TMMT (Japanese)

Both the German and Turkish firms have strong collaboration with the VET actors. In the meantime, both firms have concern for individuals' skills development from an earlier period before employment. This earlier engagement is closely related to the firms' integration of their HR practices (recruitment and training) with the national VET system. The firms recruit only VET graduates. These two firms also reveal a similar pattern in their training strategies. Having a well-established training system, both firms are nevertheless flexible in revising and redesigning their training practices based on emerging skill needs.

The two firms affiliated with Toyota differ from each other in terms of their timing of engagement with the VET system and collaboration with the VET actors. Toyota-TR, similar to the German and Turkish firms, builds a connection with individuals' skills development from an earlier period; whereas TMMT, the manufacturing firm, predominantly focuses on the post-employment period regarding its employees' skills development. This has strong implications for the firms' engagement with the VET actors. Toyota-TR has built a strong collaborative relationship with the partner schools via its laboratories and has been regularly updating education in the laboratories in accordance with its changing technological needs. The firm values this relationship, as the students of these laboratories will be the prospective employees in a later period. TMMT, on the other hand, has a much weaker relationship with the VET actors. It 'engages' with (or perhaps respond to) legal requirements. However, it does not actively 'coordinate' its activities through the 'mutual exchange' of information with the VET actors. Although these two Toyota firms differ in their engagement with VET, both firms follow the same path in recruitment and training. Not being strict in recruitment (selecting both VET and non-VET graduates), the firms adopt a highly structured training

programme driven by the HQ such that employees go through a set of training courses in each step/level that is defined as TM, TL, and GL in TMMT; and Step-1, Step-2 in Toyota-TR (elaborated in section 4.3).

The other component of the framework is determined as the span of engagement with the institutional context, which shows the firms' relationship with the VET actors in terms of wider VET-related issues in addition to focusing on the delivery of VET. As Table 6.4 and also Figures 6.1-6.4 show, the German subsidiary and the Turkish firm show wider engagement with the institutional context by building a strong collaborative relationship with their partner institutions as well as other social actors including employers' association and the state agencies. Particularly, the German firm's implementation of the dual VET system suggests that the firm adopts a 'distinctive approach' in coping with skills shortage problems by coordinating with the state and industry chambers. On the contrary, the two Toyota firms have a narrower engagement with the host country's institutional context and instead stress the internal network of Toyota (the HQs in Japan and Belgium and other Toyota subsidiaries).

The third major issue is MNCs' influence on the host country's skill system to understand what the MNCs have brought to the host country's national VET system as a contribution. As the findings show, despite their differences in engagement with the system, both the German and Japanese firms were the first movers in their implementation of the specific VET approaches. Toyota has introduced the 'laboratory model' in Turkey. This model illustrates how firms are successfully integrated to the national VET system in an earlier period before employment of individuals. MAN has established the dual VET system. The firm plays an important role as the leader in introducing this system at the firm level in Turkey. When comparing these two firms' distinctive initiatives, the dual system can be considered as superior from a training point of view to the laboratory model in the sense that it provides more opportunity for practical (on-the-job) training and subsequent employability for its trainees as training is not narrowly focused on the firm's specific requirements. From the employer perspective, the dual approach allows more time (three years) to deliver high-quality OJT and consequently skilled workers when compared to the laboratory model offering one-year OJT. However, the dual approach is not as prevalent as the laboratory model. Only two automotive firms provide dual VET whereas twelve firms are involved in the laboratory model by having 68 laboratories in total (see Table 6.1). One possible reason for this substantial difference is that the dual VET approach requires more employer

commitment both financially and in terms of a longer time allocation to implement the system.

The examples of these two cases of the German and Japanese MNCs show the positive impact of MNCs in the sense of investment in and development of the host country's human capital. This raises the questions related to MNCs' transformative effect in the host country context and how host country institutions enable the MNCs to introduce new approaches. One possible explanation may be the concept of 'institutional ambiguity' (see Regner and Edman, 2014; Kostova et al., 2008). It refers to the uncertain environment of the host country with ambiguous roles of social actors that enable MNCs to apply innovative practices in their engagement with the VET system. This is also related to the willingness of the host country's state to leave room for MNCs' innovative practices, which is connected back to the first issue of the strictly regulated areas and free spaces for firms.

In terms of MNCs' impact on the host country institutions, several debates also exist in the literature. For example, based on his study with MNCs in West Yorkshire, Knell (1993) argued that MNCs may bring specific low-skill aspects of their work to the host country and therefore, their 'transformative' effect on the host country's national skill formation is not necessarily strong or positive. On the contrary, Aziz Wan Abdullah's (1994) study showed that MNCs in Malaysian manufacturing industries created an important influence in the human capital formation of the host country by promoting training and innovation. But Martinez-Lucio and Mustchin (2013) highlight that such comparisons may not be fair due to the existence of several determinants such as the nature of the context in which MNCs operate and the way that the state responds to or facilitate the MNC investment. Indeed, the two given examples from one developed and one developing country by Knell (1993) and Aziz Wan Abdullah (1994) respectively suggest that a number of contextual factors such as development level of the host country, industry type, and business strategy might be important in assessing the MNCs' contribution. In particular, when considering the case of Malaysia and this research conducted in Turkey, a possible argument may be that MNCs create a more transformative effect in the developing countries due to the characteristics of these countries demanding further institutional development and the lower overall skill level. In addition, the incomplete nature of institutions in such countries is expected to allow MNCs' different and creative practices (Streeck and Thelen, 2005).

## **6.5. Conclusion**

This chapter examined employers' engagement with the Turkish VET system, with a special focus on the MNCs' relationship with the system. The findings showed that the German and Turkish firms follow a skills development strategy connected with the national VET system. The two firms of the Japanese MNC, on the other hand, have a predominantly HQ-driven training and limited connection with the national system when compared with the other case-study firms. In addition, considering the embeddedness, as compared with the German and Turkish firms, the Japanese MNC is less embedded in the host country context in terms of engagement with the national skill system, but more embedded in Toyota culture. Nevertheless, the findings allow a further differentiation between two Toyota firms. The marketing and sales firm is more engaged with the system whereas the manufacturing firm is isolated from the external environment to a great extent.

Three major lessons can be drawn from this chapter. First, even though Turkey has a state-led VET system, the state is not so strict in imposing employers the way how and to what extent they should engage with the system. It sets the minimum requirements and then leaves room for employees' initiatives to some extent while still controlling the system by regulating employers' engagement. Under these conditions, firms may choose the path of widely engaging with institutions and integrating their in-firm skill practices with the national skill system. Alternatively, they may establish an inward oriented system, independent from the national skill system. The possible factors leading to these different choices of the firms (e.g. strong or weak engagement and investment in firm-specific or industry-specific skills) are examined in the following chapter. But the case studies already showed that there is a systemic effect in firms' engagement with the VET system and integration of their HR practices. The firms having a wider and stronger connection with the system show a stronger integration of their HR practices with the national VET system.

Second, MNCs not only respond to the requirements of the host country's VET system, but they can also contribute to the system's development by introducing creative initiatives. The MNCs in this research contributed to the VET system as the first movers bringing new approaches to Turkey- i.e. the dual VET approach by the German MNC and the laboratory model by the Japanese MNC. This confirms that MNCs are not passive actors only responding to the conditions of their host country environment. On the contrary, they may have a transformative effect on national business systems of the host economy and play a leading role for other firms including the local actors. Third, MNCs and local firms, sharing the same institutional context (industry and country), may still differ in the level of

engagement with the VET system. The next chapter will discuss the potential factors shaping firms' different engagement.

## **Chapter 7- Factors Influential in Firms' Engagement with Turkey's VET System**

### **7.1. Introduction**

Chapter 6 has discussed how the three case-study firms engage with the Turkish VET system, given that the state strongly regulates the system. The chapter showed that MNCs might respond to the Turkish context in different and even creative ways. For example, in developing the dual VET system, the German firm has built strong and wide engagement with the VET system. The Turkish firm has followed a similar path to the German firm by having a strong and wide engagement. The Japanese MNC (i.e. two Toyotas- TMMT and Toyota TR), having a relatively looser connection with the system, nevertheless displays variation in itself. TMMT (the manufacturing firm) has weak and narrow engagement while Toyota-TR (the marketing and sales firm) has a strong but still narrow engagement with the VET system through its 'laboratory model'.

This chapter seeks to build on these findings to answer the third research question: Why do MNCs reveal different behaviours in the shared context of the host country, if they do? In other words, what (structural and political) factors are influential in shaping MNCs' different engagement with the host country's VET system? In a broader perspective, this is to understand the reasons behind the different ways MNCs interact with the national skills system of a host country. The main argument of this chapter is that even if MNCs share the same host-country context and they operate in the same industry, their different backgrounds (e.g. home country, corporate characteristics, and organisational actors) may result in different approaches to the VET system of the host country.

Although the further explanation is provided in the later parts of this chapter, it is essential to highlight that the case-study firms have different functional strategies in the Turkish context. As mentioned, two separate firms- i.e. the manufacturing firm and the firm responsible for marketing/sales/after-sales services, are responsible for Toyota operations. On the other hand, the functions of MAN-Turkiye and TEMSA are fully-integrated. This is important to understand the firms' different skill requirements, which in turn influences their interaction with the VET system.

In explaining MNCs' different employment practices in the host country, four main factors are prominent in the MNC literature that are identified as the home country effect, host country effect, corporate (organisational) influence, and type of employment practices (e.g. Edwards et al., 2007a; Ferner et al., 2011; Rosenzweig and Nohria, 1994; Yuen and Kee,

1993). These factors are considered as structural characteristics explaining the differences between MNCs (Edwards et al., 1999) and also discussing the complex nature of MNCs operating in multiple environments (Kostova et al., 2008). The concept ‘structure’ here refers to an umbrella term covering “organisational structure as well as the external environment” (*ibid*, 287). One major criticism of the structural approach is that it is deterministic, taking into account the environmental and organisational factors but underplaying the role of actors having different interests and choices. Based on this, Edwards et al. (1999) address an additional ‘political approach’ examining internal political processes within MNCs. This means that MNCs should not be assumed to be a single homogenous entity. They consist of headquarters (HQs) and subsidiaries dispersed across several countries, having different and sometimes conflicting interests. This is to acknowledge that the relative autonomy of actors within subsidiaries as well as the subsidiary autonomy and the headquarter (HQ) control needs further consideration while discussing MNCs’ behaviours in a host country. Edwards et al. (1999) suggest that an interaction of structural and political approach is necessary to help our understanding of MNCs’ differences. Drawing on this perspective, this chapter discusses how various factors shape the MNCs’ engagement in the context of a specific host country (Turkey) and specific topic (VET). Considering the empirical evidence within the light of the literature and given the empirical focus on a single host country and a single employment practice for all three case studies, three factors are singled out in this chapter: home-country effect, corporate influence, and discretion at the subsidiary and individual level.

The chapter has been organised in the following way. The second section discusses what particular aspects of the home-country features emerged in the firms’ skill-related practices and how the institutional setting of the host country has influenced the emergence of these home-country effects. The subsequent section examines the selected case-study firms’ differences from the perspective of corporate influence. It provides deeper insight into the relationship between the firms’ engagement with the VET system and their corporate characteristics including business strategy, type of production and product, and functional integration and provision of after-sales services. The discussion is extended to the firms’ local responsiveness and implication for their skill requirements, which is expected to explain the firms’ different engagement. The fourth section then considers to what extent discretion of individual and organisational (subsidiary) actors is influential in shaping the level of firms’ engagement with the VET system. Before further discussion, it should be pointed out that due to the availability of limited data on supplier firms in this thesis; only the sections on home-country effect and discretion of actors draw on this data.

## **7.2. Home-country (country of origin) effect**

Pointing out the ‘persistent influence of nationality’, Edwards et al. (2007a:100) argue that “national ways of doing things continue to inform the behaviour of multinationals in the world economy”, and that this is conceptualised as the ‘home-country effect’. In line with this argument, this research on the German and Japanese firms in the Turkish context shows that these firms’ behaviours in the host country are to some extent shaped by their home country practices. This section, therefore, considers the expected impact of the home-country effect and the interaction of the home and host-country effects as two important issues to examine.

In the case of the German manufacturing and supplier firms, there are important similarities regarding the home-country effects that are listed as an implementation of the dual VET approach, a strong relationship with social partners (Busemeyer, 2009), and an occupation-based recruitment policy (Bosch and Charest, 2008). Both firms have transferred the dual VET approach from the home country. During the transfer process, the training staff from the home country visited the subsidiaries in Turkey and helped in the establishment of the dual training centres inside the factories. Interestingly, it is not the HQs that push the subsidiaries to apply the dual system, but rather the subsidiaries have been willing to and requested the implementation of the system. This is an example showing the existence of not only the home-country effect but also a collaborative relationship between the HQs and the subsidiaries in the transfer of the dual system.

The transfer of the German dual system, however, is not a straightforward process, as highlighted in the literature (e.g. Deissinger, 1997; Euler, 2013) and also confirmed in this study. A successful transfer requires an institutional setting that supports the dual VET approach (Hummelsheim and Baur, 2014). In Germany, the legal and industrial relations system supports the dual approach (Solga et al., 2014). Social partnership is another important element such that the joint decision of employers, trade unions, and public authorities shapes the design of the system and skill certification in coordination with the delivery of education and training (Anderson and Hassel, 2008; Hoeckel and Schwartz, 2010). The conditions in Turkey only partially support the successful application of the dual approach. Contrary to Germany where chambers and unions play an important role in coordination with employers (Graf, 2013), these actors do not have a strong position in the decision-making of the system’s design and implementation in Turkey. Relying on the secondary data and the informants’ implicit perception, it is argued that employers’ associations are relatively more influential when compared to the situation of chambers and

unions. For example, they play an active role in setting the vocational qualifications and standards (MYK, 2015a). Nevertheless, the employers' associations remain in a relatively weak position against the dominant role of the state. Under these conditions, even if the dual VET approach exists in Turkey and seems to be supported by the state's regulations, in contrary to a nation-wide system in Germany, it is still limited to the firm-based practices due to the absence of a well-established institutional context supporting it. As the interviews show, the position of the dual system is still ambiguous in the regulations and this creates an obstacle for both the firms and schools involved in the dual system when they want to adjust the system or introduce new practices to the system.

A strong relationship with social partners (the state agencies, chambers, and industry representatives) in skill development is a second home-country effect for the German firms. The case of the German manufacturing firm and its engagement with the system has been discussed in detail in Chapter 6. The firm carries the motivation to make the dual system prevalent at the national level in the Turkish context. It puts special effort into sustaining the strong relationship with social partners by sharing its experiences and conveying its skill-related concerns. Similarly, the German supplier has a strong relationship with the social partners. For example, it has been involved in a partnership to develop an employer-led VET model in Bursa, the city where the supplier firm operates, with other stakeholders including BUSIAD (Bursa Industrialists and Businessmen Association), the MoNE's local representative (state agency), ISKUR (employment agency), and a non-profit organisation (BUCOSEV, 2016). Furthermore, the supplier has been working in close collaboration with the MoNE on a 'training programme for technical teachers' and 'improvement of the national apprenticeship programme'.

In addition to the implementation of the dual system and strong relationship with social partners, both of the firms also seem to follow an OLM (occupational labour market) approach in their recruitment that is occupational-driven, following the path of firms in Germany. The common recruitment policies for intermediate positions in Germany are predominantly characterised by clear recruitment criteria, the superiority of vocational qualifications with a strong practical component, and a close link between specialised training and an individual's employed area (Hippach-Schneider et al., 2013). The connection between training and employment is strengthened by the *Berufskonzept*, "a concept of employment and training based on the structural integrity, uniformity, and systematic nature of the skills development process" (Pilz et al., 2015:80). Manifesting similarity with the firms in Germany, both of the German firms in this research recruit only the VET graduates having

a state-recognised vocational certificate or diploma proving their specific knowledge and skill on the employed field. Something similar holds for in-firm training. Despite the limited available data, it is understood from the interviews that both the German manufacturing and supplier firms integrate their in-firm training to the national VET system by building on the employees' existing knowledge and skills. This suggests the promotion of individuals' acquisition of transferable skills.

The German firms in this research seem to display a similar pattern to other German MNCs when they operate in a new country, which may suggest the existence of 'German spirit' in this respect. For example, Jurgen (1998) presents the establishment of subsidiaries by the VW Company. Before starting its production process in Mexico, Spain, and China, the company established vocational schools in these countries through the transfer of German staff from the home country and by introducing the training model similar to the German model. In addition, Meardi et al. (2009) and Dorrenbacher et al. (2003) show that German MNCs tend to invest in transferable skills, upgrade the skills-base of the host country workforce, and establish strong cooperation with educational institutions of the host country.

Before discussing the home country effect for the Japanese MNC, it is necessary to consider different types of a 'home' country (see Almond, 2011b) for the two affiliates of Toyota. For the marketing and sales firm (Toyota-TR), the concept of the home-country effect requires the differentiation as the 'country of ownership' (financial aspect) and 'country of management' (management of operations). Accordingly, the firm's operational management is controlled by the Toyota headquarter in Japan, but the capital is owned by a Saudi company. As the information in this study is limited to the country of management, the concept of the home country refers to the firm's country of management.

All the three Japanese firms in this research can be considered as 'typical Japanese' due to their characteristics of the strong firm-level training (Rubery and Grimshaw, 2003); firms' high level independence in shaping the skill system within the company borders and generating firm-specific skills (see Thelen and Busemeyer 2008; Busemeyer 2009); and low-level of vocational specificity in recruitment not limited to occupational skills, even valuing general skills (see Dore and Sako, 1989; Sako, 1994; Terada, 2012).

Both the Japanese manufacturing firm and its supplier have a strong firm-based training approach that is mainly shaped in accordance with the skill policies of the HQs in Japan. The firms have a limited connection with the VET system in Turkey by primarily complying with the legal obligations while acting carefully in sharing the know-how related information with vocational schools. This mirrors the findings of Whitley et al. (2003) that the Japanese

subsidiaries in the UK use the training system of the HQ in Japan to develop and retain firm-specific knowledge. The marketing and sales firm of Toyota, despite its similarity to the other two Japanese firms regarding the predominantly HQ-driven skill development, is slightly different in terms of its relationship with the VET system. The next section on ‘corporate influence’ explains the reasons for this different level of engagement. As Chapter 6 showed, while still keeping its firm-specific training as a primary focus, however, the firm has a narrow but strong engagement with its T-TEP laboratories. It has a long-standing relationship (25 years) with the partner schools having these laboratories and offers employment guarantees for the T-TEP graduates who are appropriately qualified. This kind of a close and long-term collaboration between schools and employers are known as *jisseki kankei* (results-oriented relationship) in Japan (Kariya, 1999; Brinton and Tang, 2010; see Chapter 3 for further elaboration).

In terms of the recruitment, all three Japanese firms reveal the home-country effect to some extent in the sense that they do not strictly require vocational specificity (see Pilz et al., 2015). This holds in part for the manufacturing firm as it primarily assesses the applicants’ general skills and then builds on those skills by intensive firm-specific training. But, it is important to note that the employees’ status is distinguished as ‘core’ and ‘temporary’. All newcomers are treated as ‘temporary’ for the first six months, then their status changes as ‘core’ once they meet the firm’s requirements. In Japan, entry-level employees receive training to acquire basic-level technical skills, but firms provide actual skill formation programmes for the core employees at later stages in accordance with the requirement of specific skills (Busemeyer, 2009; Kosugi, 2007).

Considering the findings from the Japanese and German firms together within the shared context of Turkey, it is argued that the host country’s incomplete institutional setting offers an advantage for the Japanese firms to transfer their firm-specific characteristics to the subsidiaries. Despite the on-going efforts in achieving an OLM model generating transferable skills in Turkey, the institutional setting of the country is incomplete and it leaves room to some extent for firm-specific skill practices. In addition, despite the state-led nature of Turkey’s VET system, the state does not interfere in firms’ in-firm training other than setting the minimum requirements for the firms’ support of VET students’ workplace training and employment practices linked with a state-recognised certification. From the Japanese firms’ perspective, this suggests that the host country context does not impose a strong constraint in the form of regulation of industrial relations on firm-specific characteristics; it rather provides “permissive conditions for central MNC control of practices” (Ferner et al., 2011:484).

Moreover, the characteristics of Turkey in the sense of absence of the strong voice of national unions seem to share similarity to the Japanese firms' home country. The industrial relations system of Japan having strong enterprise unions but weak industrial and national unions supports the firm-specific skill regime (Busemeyer, 2009). The evidence from the Japanese manufacturing firm shows that industrial relations at the firm level (enterprise-based unionism and non-membership of the employer association) also enables its highly firm-specific training that results in low-level transferable skills and the host-country environment supports this situation.

Contrary to the situation with the Japanese firms, it is argued that the institutional difference between the home and host country (see Saka, 2002; Geppert and Matten, 2006) create a limitation to some extent for the German firms to apply the dual VET system in the same way as it is in the home country. A strong industrial relations system in Germany is an important pillar of the dual system, which is missing in the Turkish context. This difference compels the firms to adjust the system to the local context by developing a firm-based dual VET approach and turning their factories into a 'school' where the students of the dual system attend a three-year special training programme.

Although the home-country effect is not a relevant concept to discuss the findings of the Turkish firm, it reveals both the German and Japanese elements of skill development, which can be considered within the light of the dominance effect. This term refers to "the leading role of dominant economies and the diffusion of the practices originated from these countries" to other contexts (Edwards et al. 2013b:589; see Chapter 2). Within the MNC framework, dominance effect exists when "management practices of subsidiaries are shaped according to neither the host country (localisation) nor the home country (country-of-origin effect), but according to that country that sets the standards for what are perceived 'best practices' (Pudelko and Harzing, 2007:536). The concept of dominance effect may be predominantly associated with MNCs, but the Turkish firm in this research shows a relevant example by adopting the best practices of MNCs in the local context. The firm is inspired by the well-known German dual system and it also manifests similarity to the German firm in terms of building a close relationship with social partners in terms of skill development. Nevertheless, the Turkish firm reveals the influence of the Japanese way by applying the 'lab model', not the dual VET approach, in engagement with the VET itself (skill formation of VET students). One possible reason for this situation would be that the dual VET system requires more commitment and possibly also a prior experience to be acquired through the

system's country of origin. The lab model, on the other hand, is already well established in Turkey and requires less commitment and responsibility.

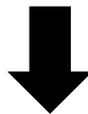
### **7.3. Corporate influence**

Corporate influence is also strongly influential in MNCs' behaviours, as the discussion in this section shows. To assess its influence, it is essential to first define corporate influence and to identify its main aspects. The literature refers to several terms such as corporate structure, strategy and governance. For example, Ferner et al. (2011) identify corporate structure and strategy as an important factor in determining the level of central control of corporate HQs over HR practices in MNCs' subsidiaries. Here, corporate structure and strategy cover the nature of international organisational structures, product standardisation, and the degree of international integration of operations.

The literature commonly focuses on the factors influencing overall HR practices of MNCs. However, this research specifically focuses on the factors determining MNCs' training-based practices. In this respect, considering the collected data in the light of the literature, five aspects of corporate influence are identified as relevant (Table 7.1): business strategy, product type, production model, functional integration within the subsidiary, and provision of after-sales services. The other two aspects (local responsiveness and implications for skill requirements) listed in the table are built on these corporate characteristics. This consequently affects the firms' engagement with the national VET system, which is elaborated in the following sub-sections.

**Table 7.1. Characteristics of the case-study firms' corporate influence**

	TOYOTA		MAN	TEMSA
	TMMT	TOYOTA-TR		
<b>Business strategy (the degree of global integration)</b>	Global MNC		International MNC	NA
<b>Product type</b>	Standard		Customised	Customised
<b>Production model</b>	Mass-production (Capital-intensive)	NA	DQP (Labour-intensive)	DQP (Labour-intensive)
<b>Functional integration within the subsidiary</b>	Single-function		Fully-integrated	Fully-integrated
<b>Provision of after-sales services</b>	No	Yes	Yes	Yes



	TOYOTA		MAN	TEMSA
	TMMT	TOYOTA-TR		
<b>Local responsiveness</b>	No	Yes	Yes	Yes
<b>Implication for skill requirements</b>	Semi-skilled; multi-skilled employees (Standardised tasks)	High-skilled employees (Non-routine tasks)	High-skilled employees (Non-routine tasks)	High-skilled employees (Non-routine tasks)

### 7.3.1. Business strategy

The concept of ‘business strategy’ refers to the way firms are organised across countries. This concerns “the nature of commonalities and inter-dependencies in the production or service provision process” (Edwards, 2011:484). In this respect, the well-known classification of Bartlett and Ghoshal (1999) suggests four types of business strategy: international, multinational (multi-domestic), global, and transnational. This classification is mainly based on the relationship between the HQ and its subsidiaries across different countries.

Building on the Bartlett and Ghoshal’s typology of MNCs, Harzing (2000) defines global integration from the perspective of the interdependence of several units of an MNC and refers to three different levels of dependencies. In the case of independence, subsidiaries do not or barely depend on the HQ or other units of the MNC, “operating very much as a stand-alone company” (*ibid*, p.8). Alternatively, the subsidiary may be highly dependent on the HQ. MNCs having this form of integration are expected to have a centralised relationship between the HQ and subsidiaries. In interdependence, the HQ and its subsidiaries build a network form of relationship in which all the units are mutually dependent on each other.

The Japanese and German firms examined in this research can be classified as global and international MNCs respectively (Table 7.1). The business strategy of global MNCs is based on centralised control of the HQ whereby subsidiaries follow the HQ (Bartlett and Ghoshal, 1999). Such corporations “treat the world market as an integrated whole and organise their production systems to reduce costs and increase efficiency through utilising economies of scale; operating as centralised hubs; allowing limited delegation to local subsidiaries; operating a tightly centralised management system” (Rubery and Grimshaw, 2003:202). Toyota carries these characteristics as it has the main HQ in Japan and the regional HQs in the USA, Belgium, Singapore, Thailand, and China. As of 2015, it has been operating worldwide with 53 overseas manufacturing companies in 28 countries (Toyota, 2017b). However, there is a strong link between the subsidiaries and HQ, based on a centralised relationship. This is mainly achieved by the TPS (Toyota Production System) that serves as a ‘common language’ between different units of Toyota producing similar types of Toyota vehicles (passenger cars), as illustrated by the quote below:

*“All Toyota-related production principles (Toyota Production System- TPS) are applied in the subsidiary. There is no difference between TMMT [the Toyota plant in Turkey] and other factories in Europe and Japan regarding the application of TPS.” F2a*

Actually, the interviewed employees of Toyota define TPS as ‘beyond a production model’ and an over-arching corporate philosophy shaping the operations of all functions including production, financing, and HR within different subsidiaries of Toyota. Particular focus on skill development shows that a high level of centralisation exists in the Toyota subsidiaries including the one in Turkey. The training practices are shaped by the HQ in Japan and then disseminated to all Toyota subsidiaries (see Chapter 6 for further elaboration). Such a standardisation enables Toyota to ensure that all Toyota plants in different countries follow the global Toyota standards. The coordination between the HQ and the subsidiaries is achieved by the Japanese ‘coordinating executives’<sup>27</sup> assigned by the HQ to the Toyota subsidiaries in different countries. For example, as of 2014, the Toyota plant in Turkey had more than 20 such executives (around 40% of all managerial positions) in three main divisions (e.g. manufacturing, manufacturing management, and finance and administration) and various sub-divisions (e.g. press, body, assembling, cost and accounting, and HRD). This confirms the literature on Japanese MNCs as more likely to achieve control in their subsidiaries through the assignment of expatriates to important positions (Harzing 1999; Hong-Chung et al., 2006). Ferner et al. (2011) argue that Japanese MNCs’ central influence is rather informal through these expatriates instead of formal systems. However, the findings of this study show that central control is mainly achieved through TPS that can be considered as an actual formal mechanism and simultaneously supported by the assignment of Japanese expatriates. In other words, formal mechanism and the use of expatriates coexist instead of substituting for each other.

In contrast to global MNCs, the business strategy of international MNCs does not indicate a hierarchical form of relationship between the HQ and subsidiaries, but rather a model of HQ and subsidiaries working together. Rubery and Grimshaw (2003) classify this type of company as a ‘coordinated federation’ whereby the HQ’s connection with the subsidiaries is based on the transfer of innovation in the production process. In other words, there is not any top-down approach in the HQ’s treatment to the subsidiaries but rather delegating power to them. Given these characteristics, the German firm can be considered in this category. With the HQ in Germany, it has twelve production facilities across Europe (Germany, Austria, and Poland), Russia, South Africa, India, and Turkey (MAN-Turkiye, 2016b). These units work in a network-based relationship rather than a hierarchy between the HQ and the subsidiaries. As an illustration, in the Turkish context, the HQ-subsidiary relationship is based on technical

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<sup>27</sup> The title of ‘coordinating executives’ is for the Japanese expatriate managers assigned to Toyota subsidiaries outside Japan.

support and financial control while delegating power to the subsidiary on the basis of HR practices. The HQ is mainly interested in the manufacturing outcomes (e.g. how many vehicles are produced and sold) and financial reports. An important indicator of this is the assignment of a German CFO (chief financial officer) in the subsidiary. This is conceptualised as ‘output control’ or ‘performance control’ in the literature (e.g. Mintzberg, 1979), referring to the HQ’s structural and formal mechanisms in monitoring the subsidiary’s performance and assessing whether it meets the MNC’s strategic goals (Edwards et al., 2013a). Baliga and Jaeger (1984) state that output control concerns the output while organisational members have leeway in choosing the means. The substantial difference between the number and role of the German expatriates in MAN and the Japanese expatriates in Toyota is a good illustration of the HQs’ influence in these subsidiaries. It can be considered as important evidence showing the ‘global’ nature of Toyota and ‘international’ nature of MAN.

In terms of the German firm’s production, an integrated relationship exists between the HQ and its subsidiaries that share MPS (MAN production system). An example of this is the strong coordination between the purchasing departments of the MAN units in managing the supply-chain. Sharing the same supply-chain database, the departments of different subsidiaries are able to see the details of purchased components and contracts in process. This situation results in a coordinated structure in the corporate supply chain. The division of labour in this sense is not subsidiary-based but instead, component (automotive part)-based, as illustrated by the quote from the purchasing manager:

*“We do not have such a situation: ‘every company is responsible for its own suppliers. For example, (it is not like) the employees in Poland are responsible for dealing with the (automotive) parts of their vehicles and fix the problem of a particular part’. No. Someone in MAN-Turkey can be responsible for that part and therefore also responsible for fixing that problem...For example, one employee in the German plant is responsible for the lighting system. He solves the problem I face with the lighting system of the vehicle here. In the case of any delay or fault, he is primarily responsible for fixing the problem.” F1c*

This quote illustrates how purchasing functions globally in MAN, but this globalisation does not manifest itself in the subsidiary’s skill development practices in Turkey. When compared to its involvement in technical support and financial control, the HQ does not directly

interfere with the actual process of production and the subsidiary's HR practices including training. This confirms the argument of Baliga and Jaeger (1984) regarding the output control, as introduced earlier. The findings show that MAN-Turkey acts in autonomy while managing its operations and planning its skill development strategies. But this does not mean a complete isolation of the subsidiary from the HQ and other subsidiaries. A network exists between the HQ and the subsidiaries in exchanging information and 'best practice' in the sense of training practices. As mentioned in Chapter 6, the technical training team of MAN-Turkey meets other subsidiaries in Germany semi-annually and shares its experiences and training materials with the other subsidiaries.

### **7.3.2. Product type and production model**

Product type and production model, the other aspects of corporate influence as introduced in Table 7.1, are closely related in the sense of production paradigm. Product type here refers to the distinction between standardisation or differentiation in the product market and it is identified as one of the main components of international integration (Edwards, 2011). This suggests that MNCs' decision of producing different product types determines how they organise across different countries and engage with the host country environment. The production model directly linked to product type is the other aspect that is argued to shape MNCs' interaction with their subsidiaries and the host country. The literature refers to two models of production as DQP (diversified quality production) and mass production (see Jurgens, 2004; Williams and Geppert, 2006b; Busemeyer and Trampusch, 2012). DQP is mainly associated with customisation or differentiation of product market (Lane, 1998; Gough and MacIntosh, 2005), and flexible specialisation (Busemeyer and Trampusch, 2012). Mass production, on the other hand, is mostly linked to the production of standardised products on a large scale. Two issues emerge in this study regarding the connection of product type-production model with the MNCs' business strategy (HQ-subsidiary relationship) and their skill requirements. This in turn arguably influences the MNCs' engagement with Turkey's VET system.

From the perspective of HQ-subsidiaries relationship, an MNC producing standardised products is more likely to achieve central control in order to "ensure the consistent international quality of the product" (Ferner et al., 2011:489). This would also inform the development of globally standardised HR practices (Edwards and Kuruvilla, 2005). An MNC producing customised products for different markets, on the other hand, is expected to leave

more autonomy to its subsidiaries. Geppert and Matten (2006) show the link between the production and product, and skill requirements through their study of the US, German, and Finnish MNCs. They show that both the US and Finnish MNCs require low-skill level employees as they produce standardised products through large-scale production. On the other hand, the German MNC produces customised products through order production. This results in the requirement of high-skilled employees and extensive employee involvement. Other studies also show that DQP requires highly skilled craft workers while mass production of standardised products is predominantly associated with repetitive tasks that require semi- or low-skill level (e.g. Sorge and Streeck, 2016; Finegold and Wagner, 1998; Jurgen, 2004). Given the close link between product type-production model and skill, MNCs' skill need is expected to be an important determinant shaping their relationship with the host-country institutions. For instance, those MNCs highly dependent on specific types and combinations of skills may build a long-term relationship with local institutional actors to deal with their skill requirements (Almond et al., 2014). Considering this issue within the framework of the national VET system, it is expected that the firms having higher skill requirements are more likely to engage with the system out of necessity. TMMT (the manufacturing firm of Toyota) produces standardised passenger cars through mass production and high-level of 'autonomation'<sup>28</sup> that result in routine assembly operations. The firm's production is highly capital intensive, which requires more investment in capital (e.g. the equipment and machinery) compared to the labour cost. Therefore, as expected, the jobs in the production line mostly require semi-skilled employees, as illustrated by the firm's representative:

*“The production line tasks are at the basic level such that an ordinary person can learn and achieve them in a short time. There is nothing like we have extraordinary high-level standards and ask our operators to achieve these standards. Indeed, standards are high but an average training duration is two weeks. If a person meets basic physical skill requirements, he can be successful in these two weeks and start working on the production line. Therefore, we do not expect to recruit a Superman or any extraordinary person.” F2a*

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<sup>28</sup> 'Autonomation' (*jidoka* in Japanese) is known as one of the main pillars of TPS. Ohno (1988), who is known as the father of TPS, highlights that this term does not simply mean automation but rather 'automation with a human touch'. It means that even if the production process based on automation, employees are still able to stop the process in case of detecting a defective part or a problem in the production flow. For more information on 'autonomation', see the book: Ohno, T., 1988. *Toyota production system: beyond large-scale production*. CRC Press.

The firm's initial training programme enables the newcomers to acquire the required technical skills in a short time. This is subsequently supported by systematisation of operation tasks at the shop floor through the "standard worksheets posted prominently at each workstation" (Ohno, 1988:21) in accordance with the well-known Toyota system. These worksheets list the standard methods for each procedure in the factory, making the information visual for the shop floor employees.<sup>29</sup> The interesting and important aspect of these work sheets is that the employees write the worksheets themselves and update them regularly. This process is known as *kaizen* (continuous improvement through small and incremental changes).

Employment of automation and standardised definition of each step in production through the worksheets result in less need for recruitment of skilled employees in terms of technical issues. However, it does not mean that Toyota does not have any concern regarding the skills of their employees. The firm still needs the employees with general skills (e.g. reading and interpreting data, preparation and presentation of technical reports to the team leaders and line managers). In addition, Toyota requires its employees to be multi-skilled in order to perform several tasks at different machines, as TPS works with the approach of 'one person for several machines' that requires multi-skilled workers (Ohno, 1988).

As compared to Toyota, the other case-study firm MAN displays completely different characteristics of product and production. MAN produces commercial vehicles (buses) that are customised products tailored to customers' different requests. This type of DQP has substantial implications for the firm's skill requirements. As the firm's representatives emphasised, the nature of bus production consists of less automation but more labour intensive and non-routine tasks requiring craft skill. Therefore, MAN needs skilled employees in the production line when compared to the highly automated production environment of Toyota. The domestic bus producer TEMSA, as illustrated by the quote below, confirms this need:

*"Unlike passenger cars, commercial vehicles are not produced through an automation system. Passenger cars are produced through a robotic system but we use very low level of automation in producing commercial vehicles. This is the same in MAN, Mercedes, Otokar, Volvo, and TEMSA. We have labour-intensive*

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<sup>29</sup> These standard worksheets posted on the walls of the production site provided an interesting impression during the fieldwork in TMMT plant. Indeed, every single step of the production process is explained visually so that any newcomer can understand it. One of the main functions of the worksheets is to remind the shop-floor employees to visualise the problems and provide solutions. In this respect, the employees are expected to clearly articulate the actual reason/source of a problem, definition of this problem and its solutions. This, in turn, is expected to result in 'constant update and improvement' of the production process.

*production. The length of buses varies between 9 meters and 14 meters and thus it is difficult to use automation while producing the buses.” F4b*

The evidence from the three case-study firms thus shows that the type of production and product (customised vs standard) has a substantial influence on the firms’ skill requirements for production-line employees.

### **7.3.3. Functional integration and provision of after-sales services**

Functional integration at the subsidiary level is another corporate characteristic that influences the firms’ skill requirement and in turn their engagement with the VET system. Here, functional integration refers to “coordination and control of individual business functions across borders” (Kim et al., 2003:328). A fully integrated company covers all the functions including research and development (R&D), purchasing, manufacturing, and marketing of a product (Ghoshal and Bartlett, 1990). A company with single function operations, on the other hand, focuses on one single function such as R&D, manufacturing, or marketing and sales. Given this distinction of functional integration, as seen in Table 7.1, the case study firms display substantial differences.

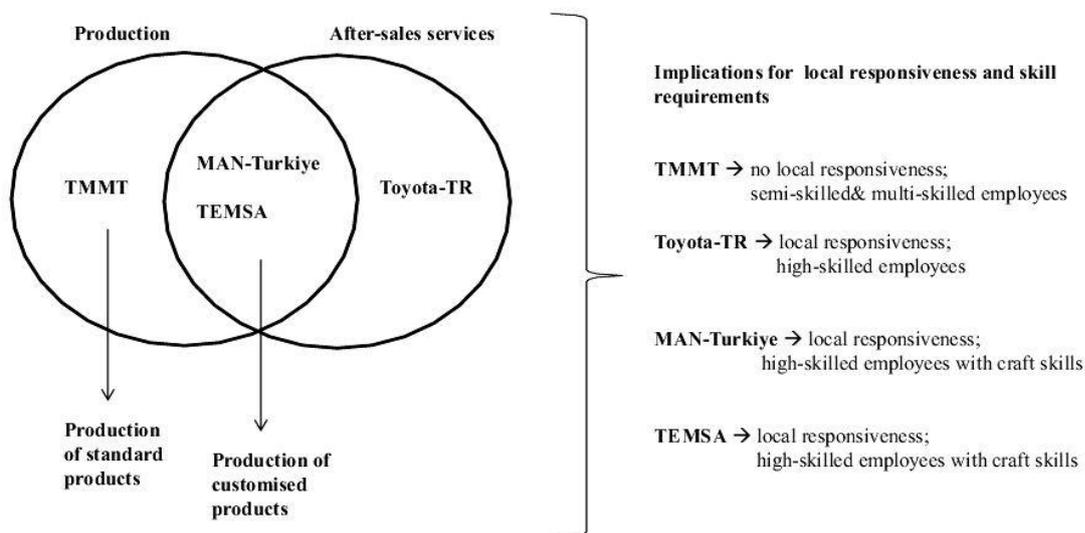
MAN operates as a fully integrated company in Turkey. It means that it carries out all the functions including manufacturing, sales, and after-sales services. Toyota, on the other hand, is an illustration of the type of company with a single function. As mentioned before, two separate firms carry out Toyota’s operations in Turkey.<sup>30</sup> TMMT focuses on manufacturing Toyota vehicles for the international market. On the other hand, Toyota-TR focuses on the operations of marketing, sales, and after-sales services (maintenance and repair) of Toyota vehicles in the Turkish market. It means that similar to MAN-Turkey, Toyota-TR is more concerned with local responsiveness having the customers in Turkey.

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<sup>30</sup> Toyota entered the Turkish market in the early 1990s as an organisation with integrated functions and a joint venture with a Turkish conglomerate. Then, in 2000, the firm went through a restructuration process and divided into two different companies: the manufacturing firm (TMMT) and the marketing and sales firm (Toyota-TR) (see ‘Chapter3-Methodology’ for further information).

### 7.3.4. Implications for local responsiveness and skill requirements

Given the different engagement levels of the case study firms as seen in the previous chapter and the firms' different corporate characteristics as shown in this chapter, the argument is that the case-study firms' skill requirement is an important element determining their engagement with the Turkish VET system, other than the state regulations. Based on the findings, two main factors arguably shape the firms' skill requirements: production model, product type and provision of after-sales services that determines the level of the firms' local responsiveness. In this respect, Figure 7.1 summarises the firms' involvement in the activities of production and after-sales services and the implications for local responsiveness and the firms' skill requirements.



**Figure 7.1. The relationship between production, provision of after-sales services and skill requirements**

Regarding the production and skill relationship, as mentioned earlier, the manufacturing firm of Toyota (TMMT) produces standardised passenger cars through mass production with a high level of 'autonomation'. This results in the firm's skill requirements mostly for semi-skilled employees rather than those with high craft skills. MAN and TEMSA, the bus producers, on the other hand, produce customised commercial vehicles through DQP. Especially the customisation process in the production requires the employees to have high craft skills.

Another aspect is the relationship between provision of after-sales services and skill requirements. In this research, provision of after-sales services is associated with local

responsiveness, as those firms offering such services need to provide immediate response to the customers' requests in the sense of maintenance and repair of the vehicles (see Fenton-O'Creevy et al., 2008). As Figure 7.1 shows, MAN and TEMSA (the German and Turkish firms) produce customer-oriented products and provide after-sales services for those products. Therefore, as expected, the firms need to be locally responsive and this subsequently requires the employees have the skills to work on complicated (non-routine) and sometimes undefined tasks while dealing with different problems or requests of the customers. This is arguably one of the reasons why MAN and TEMSA to build a close relationship with the national VET system. One of the Toyota affiliates (Toyota-TR) also provides after-sales services and therefore shares the same skill concerns with the bus producers. As emphasised by the training manager of the firm and also confirmed by the teacher of the T-TEP laboratory, this is the main motivation behind Toyota-TR's on-going support of the VET system since 1992. On the other hand, Toyota's manufacturing firm (TMMT) only focusing on production does not have any concern regarding local responsiveness; therefore its skill need is rather shaped by production-based tasks within the company borders. This may partially explain the firm's weak relationship with the Turkish VET system while having a strong in-firm training system that is mainly shaped by global Toyota standards.

#### **7.4. Discretion of individual actors and subsidiaries**

Structural factors such as home-country effect and corporate influence may be highly important in determining MNCs' behaviours in a host country environment. However, this does not necessarily mean underestimating the role of actors within MNCs (individuals as well as organisations). The related body of literature remarks the importance of recognising the agency's role. For example, as stated by Dörrenbächer and Geppert (2009), MNCs' behaviours are shaped by not only structural, cultural, institutional patterns but also individual interests and actor rationales. In a similar line, Tempel et al. (2004:28) emphasise that "MNC is shaped but not determined by the difference between home and host country institutional environments and that there is considerable room for actors to respond to pressures towards corporate and local isomorphism". This is also confirmed through the study of Rupidara and McGraw (2011) highlighting the key role of subsidiary HR managers in the configuration of HR systems. In summary, this literature stresses that actors in MNCs

are not passive players only driven by structural factors but have a complex and dynamic interaction with the HQs and other subsidiaries (Morgan and Kristensen, 2006).

Confirming the arguments in the literature, the findings of this research highlight the importance of two issues in shaping discretion of actors at the subsidiary level in a host country context: MNCs' business strategy and individual actors' motivation. These two issues arguably do not create a simultaneous but rather a sequential effect. It means that first, it is the business strategy (how an MNC is organised across countries and controls their subsidiaries) that shapes a subsidiary's decision to develop different employment practices and integrate with the host country institutions. Subsequently, it is the individual actors who make difference in developing practices and building a close relationship with the host country institutions.

The first issue was already discussed to a great extent in the previous section so this section will focus on the connection between the business strategy and discretion of actors. Toyota has a global business strategy and controls its subsidiaries by setting global employment standards while leaving very little room for the subsidiaries' discretion. One of the firm's representatives stated that even if there is not any explicit rule hindering individual initiatives, in practice the structure of TPS does not allow the individuals' different applications as every step needs to comply with the global Toyota standards. He commented:

*“We have around 800 employees working as day-shift and 1600 employees as night shift at the production line. Several people are working on the same line in different time-periods. In such a context, a person can say something like ‘let’s do this task in a different way’. The system is ideally open to such an innovative approach but the work organisation in practice does not promote a different application. We have a global system. Although we can contribute to the basic skill development, we have not changed anything. This is also the case in other subsidiaries. We try to maintain the global standards.” F2a*

MAN, on the other hand, has an international business strategy and monitors its subsidiaries through output control while leaving room for flexibility in their operations. Therefore, actors in the subsidiaries are encouraged to develop their own practices in line with the conditions of the local context. This brings the role of individual initiatives to the stage that may be connected with the literature on micro-politics (e.g. Ferner and Tempel, 2006; Geppert and Williams, 2006). A brief analysis of this literature focusing on micro-politics shows that the

shared language mostly refers to a 'coercive power'. For example, the studies use the terms such as power game, competition, and local resistance (Morgan and Kristensen, 2006); micro-political conflicts, self-centred interests, and career ambition of individuals (Dorrenbacher and Geppert, 2006); the subsidiary managers' role in reconciling the conflict and institutional pressure, and their idiosyncratic perceptions of others' interests as well as their interests and goals (Rupidara and McGraw, 2011:177). However, in the context of skill, especially the case of the German firm in this research demonstrated that the relationship between the actors within the MNC (individual actors as well as subsidiaries and the HQ) is not in the form of a power game but rather a coordination-based relationship exists between the HQ and subsidiary. A major point to highlight is that it is the subsidiary's respect and interest in the German skill system that fosters this relationship. It is useful to remember the organisational story of MAN-Turkiye regarding the set-up of the dual VET approach in Turkey. As mentioned earlier, the dual VET system was initiated based on the HQ's suggestion. But it was the subsidiary's discretion that mainly determined the final decision. The employees from the subsidiary visited the home country several times to learn more about the system before establishing it. This illustrates the impact of the subsidiary discretion rather than the HQ control that underpins the transfer of the skill practices from the home country (see Ferner et al., 2013). In other words, the adoption of the dual VET approach is not a coercive power of the HQ but the suggestion came from the HQ and upon the subsidiary's decision of examining the system at its original place, the HQ subsequently provided support by covering the travel and accommodation expenses of the subsidiary staff and supplying the related documents.

A similar situation was observed in the German supplier firm. During the establishment process of the technical training centre (TGA), an expert team came from the HQ in Germany and stayed in the firm for one year to help the subsidiary in establishing the infrastructure of the centre. In addition, the subsidiary's trainers visited the HQ and examined the system in the home country. Although the expatriate team played an important role in this process, it was the subsidiary's actors who actually made the final decision to set up the dual system in Turkey. These two examples show the importance of subsidiary discretion in applying a practice but not as a coercive power exerted by the HQ, but rather in the form of coordination. Regarding the subsidiary discretion, however, it is important to note that, the discretion may differ for strategic and operational decisions. The companies' subsidiaries may be controlled strategically from the HQ whereas they can have more freedom in terms of operational decisions/practices (Bowman et al., 2000). In this respect, the case of the German

bus producer provides evidence. The firm has the autonomy to plan its operational activities while working in coordination with the HQ regarding strategic decisions on skill practices. Regarding this, Birmik and Moat (2009) argue that although certain kinds of activities are determined through central decision-making of the HQ, actual execution may still take place at a local level as driven by the subsidiary discretion.

In addition to the subsidiary discretion, the findings show that HR people's motivation to support VET students as a social responsibility also influences firms' engagement with the national VET system. For example, the HR specialist of MAN emphasised his personal and his team's motivation to be strongly influential in achieving the firm's on-going support of the dual approach in connection with the national VET system. Furthermore, their personal discretion has been influential in transforming the dual approach transferred from the home country by including social and cultural activities to the curriculum of technical training that is absent in the original system applied in Germany.

In relation to individual initiatives, the interviewee from the MoNE highlighted a different but also a related point by stating that people working in companies and closely engaging with vocational education are mostly the graduates of vocational schools. Confirming this statement, the technical training specialist in the Turkish firm emphasised that he is in constant contact with the school he graduated from and provides several opportunities internships, teaching activities, and teaching materials to the students of this school as well as other vocational schools, as illustrated by the quote below:

*"I graduated from the vocational high school and then vocational college. I like supporting students in terms of vocational training. I wish I could do more. In the future, these students will be our employees. I am not supporting them only for TEMSA but also for the society..." F4b*

The example from both the German and Turkish firms shows that discretion of individual actors in an organisation is important in maintaining the firms' connection with the national skills system as long as the corporate governance allows usage of such discretion. Considering this from the perspective of the MNC literature, the actors in MNCs (individuals and subsidiaries) play an important role in shaping the MNCs' behaviours in a host country context. But as the findings in this section suggest, business strategy and individual actors' motivation are two crucial issues limiting or enhancing the actors' role.

## 7.5. Conclusion

This chapter analysed the reasons why some certain firms prefer to build a relatively weak relationship with the national skill system and rather deal with the skill issues inside the company borders; and why some other firms are likely to be more open to building a strong and long-term interaction with the national system. The chapter explored the major structural and political factors influencing MNCs' engagement (level and form of engagement) with the VET system in a host country. Three major factors (home country effect, corporate influence, and discretion of individuals and subsidiaries) were found to be influential in shaping the firms' interaction with the VET system. In connection with these factors, the chapter provides three major lessons.

One major lesson contributing to the MNC literature is that home country matters. Both the Japanese and German firms in this research display their home countries' characteristics to some extent. In connection with this, however, the transfer of the home-country practices is not a straightforward process but host-country conditions may play a facilitating or constraining role. The host country context in this research was found to play both of these roles simultaneously by having different impacts for the Japanese and German firms. For the Japanese firms, Turkey's institutional context was rather acted as a facilitator due to its fragmented and incomplete context (industrial systems and the state's less intervening role in in-firm training practices). On the other hand, the German firms' transfer process was rather challenged due to the absence of the contextual requirements (social partnership and a well-established dual system at the national level) that underpin the home country's skill system. The host country context, therefore, pushed the German firms to transform the nation-wide dual approach of Germany into a firm-based system in Turkey.

The second lesson is associated with firms' corporate characteristics that primarily determine their skill requirement that in turn shapes the firms' interaction with the national skill system. This chapter showed that certain firms have higher-level and vocationally specific skill requirements and are therefore more likely to engage with the VET system out of necessity. Considering from MNCs' perspective, in particular, if the host environment is not adequately developed in answering the skill requirements of the firms, certain MNCs are likely to be more motivated to improve the host country's skill system and upgrade the host country's skill base to solve their skill shortage problem.

The third lesson concerns the role of individuals and subsidiaries. The findings presented in this chapter demonstrated that the motivation and interest of these actors are important

driving forces determining the firms' close and ongoing relationship with the national skill system. From a broader organisational perspective, this implies that the top management's request in a firm is not the only pushing factor but it is the bottom-level individuals' motivation that is also important in achieving a sustainable relationship between the firm and its contextual environment. Similarly, from MNCs' perspective, the HQ should not be assumed to have the absolute power to determine and even constrain its subsidiaries' interaction with the host country context. But the subsidiaries are likely to have the power and motivation to make their own decisions in this respect.

## **Chapter 8- Discussion and Conclusions**

### **8.1. Introduction**

In concluding this thesis, it is necessary to return to the key objectives and research questions that were presented in the introduction chapter. The thesis was set out to understand the two-way relationship between MNCs and host-country institutions. The underlying motivation was actually to understand the role of MNCs in host-country institutions. This issue is interesting because of the assumption informed by the institutional theory that institutions both constrain and enable actors' behaviours. This has been also confirmed by this thesis in the case of MNCs and Turkey's VET system, offering the need for an institutional perspective considering the agency of actors.

Regarding the analysis of the relationship between actors and institutions, two different approaches exist in the literature (Jackson, 2010). One approach, relatively an earlier discussion on institutionalisation, argues that institutions regulate (shape and even constrain) actors' behaviours and result in isomorphism- i.e. actors sharing the same institutional context encompassing normative and cultural elements and legal regulations act similarly (DiMaggio and Powell, 1983; Ferner and Quintanilla, 1998). The criticism against this early debate stresses the passive position of actors and subsequently the failure of institutional theory to address the variety of strategic behaviours (e.g. compromise, avoidance, defiance, and manipulation) that actors develop as a response to the given institutional pressures (Oliver, 1991; Jackson, 2010). In respect to this, the other approach emphasises agency of actors (Carney et al., 2009). Several studies highlight that actors are not just constrained but also enabled by existing institutional structures to influence institutions and even achieve institutional change (e.g. Dacin et al., 2002; Mahoney and Thelen, 2009; Scott, 2001), which will be elaborated in the following section.

Given this dual aspect of the interaction between actors and institutions as a departure point, the aim of this research was to assess the influence of MNCs as an agent of change on the host country institutions as well as these institutions' influence in shaping MNCs' behaviours. Accordingly, three main research questions were developed to achieve the research aim. These questions are listed as follows:

1. What are the characteristics and on-going challenges (contradictions) of the Turkish VET system?
2. How do employers (MNCs and domestic firms) engage with the Turkish VET system?

- How do legal requirements shape employers' engagement?
  - How and to what extent do different firms develop unique policies in response to these legal requirements?
  - How do MNCs influence the Turkish VET system?
3. Why do MNCs reveal different behaviours in the shared context of the host country, if they do? (In other words, what factors are influential in shaping MNCs' different engagement with the host country's VET system?)

The structure of this chapter is as follows. It first presents a brief summary of the individual chapters. This section revisits some of the arguments of the empirical chapters (Chapters 5, 6, and 7) and addresses the related research questions covered in these chapters. It then discusses the key contributions of this research by explaining how the findings may lead to further understanding of the literature. This section follows policy implications regarding the national VET system and also policies to shape the role of MNCs. The chapter concludes with the limitations of this research and recommendations for future research.

## **8.2. Summary of individual chapters**

Chapter 1 (Introduction chapter) briefly introduced the research background and explained the position of MNCs within the Turkish VET system as an interesting and important topic to conduct a research on. This chapter also discussed how institutional theory plays a role in shaping the research by explaining the link between MNCs and host country institutions and differences among MNC subsidiaries. The following two chapters were identified as 'theoretical chapters'.

Chapter 2 focused on the MNC literature with a particular focus on the studies exploring MNCs and host country institutions, and factors influencing MNCs' employment practices in the host country environment. The chapter presented the argument in the literature that the interplay between structural and political factors is influential in shaping MNCs' different behaviours in the host country. This chapter also introduced studies particularly focusing on German and Japanese MNCs to examine the existence of the German and Japanese elements of practices carried to the host country. The major point found in the literature was that even if some of these elements exist, MNCs are likely to act in a selective manner while transferring the practices from the home country. For example, German MNCs reveal a

tendency to transfer skill-related practices while acting more cautiously towards the practices of industrial relations (IR).

Chapter 3 introduced the different approaches in classifying countries' skill regimes. This was followed by the comparison of the skills system in the home countries (Germany and Japan) and the host country (Turkey). The chapter showed that although both Germany and Japan are categorised as having consensus-led VET system regarding the form of regulation (Rubery and Grimshaw, 2003) and as 'coordinated' market economies (Hall and Soskice, 2001), these countries substantially differ in their training regimes. For example, Germany has an institutionalised VET system regulated at the national level whereas, in Japan, skill development is predominantly organised at the firm level. The chapter subsequently introduced the characteristics of the state-led skill system of Turkey and briefly expanded the discussion to other state-led countries such as France, Korea, and the UK to examine to what extent these state-led countries are similar in characteristics and challenges.

Chapter 4 (methodology chapter) discussed in detail the way that the research was designed and the decisions on data collection including the qualitative case study, interviewing particular institutions and people with particular roles in the chosen institutions, and thematic data analysis. The research is based on qualitative, in-depth case studies conducted in three firms operating in the Turkish automotive industry: one Japanese, one German, and one Turkish firm. The Turkish firm was particularly included as a comparative counterpoint to understand whether there is a substantial difference between local firms and MNCs; and whether any of these groups have an advantage or additional incentive over the others in their engagement with the VET system. But the findings showed that the state's regulations perform in the same way for all types of firms, not differentiating them as local or foreign-invested.

Within the framework of the case-study approach and to gain a better understanding of the Turkish VET context, the research included the suppliers, partner vocational schools of these firms, and other VET actors (the state, industry representatives, and chambers). The data were collected through in-depth semi-structured interviews and documents (company documents and publicly available data). The interviewees included the HR managers, technical training specialists, and people from the purchase and sales departments, all from the selected firms, plus vocational school teachers and related individuals from the state agencies, industry representatives, and chambers. This chapter also presented the process of data collection and analysis in detail.

The following three chapters (Chapters 5-7) were identified as ‘empirical chapters’ presenting and discussing the findings of the research in line with the existing literature. Chapter 5 answered the first research question by examining the way in which the VET system in Turkey performs and the state’s role in this system. This research confirmed the prior knowledge that the VET system has a strong state-led nature in Turkey. The state is the major actor and dominant authority determining the regulations of the system and acts as the final decision-making body while other social partners play more of a consultancy role. Regarding the second part of the same question, the research presented three main problems attributed to the largely negative perception of the VET system. One of the problems is the failure of coordination between education and industry. This includes the failure in gaining the sustainable support of employers and weak coordination among all social partners (the state, employer associations and trade unions, industry chambers, and NGOs). The second problem is ineffective governance. In this respect, several sub-themes were identified in the research. These are listed as excessive bureaucracy, absence of strategic planning, inconsistency in the state’s policies (constant changes in the policies) and therefore their weak credibility for employers, a politicised decision-making environment, the gap between policy-makers’ rhetoric and action in practice, and the absence of effective monitoring mechanisms assessing the system’s performance. The governance problem also includes the policy-makers’ tendency to develop ad-hoc solutions to the on-going problems. A third problem is the poor quality of teaching and learning environment. This is mainly related to the absence of qualified education facilities and regular update of vocational teachers’ qualifications. All these problems can be argued to inform the VET system’s main criticism known as ‘skill mismatch’, referring to the weak performance of the system to supply qualified skills demanded by employers. One specific issue perceived as a serious problem by both the MNCs and the local firm is that they particularly struggle to find qualified maintenance skills. Two main reasons are pointed out for this scenario. First, acquisition of such skills requires a long period of training. Second, people mostly do not want to work in such jobs due to its difficult working conditions.

In addition, this chapter showed how the informants’ different positions (policy-maker vs. policy implementer) are influential in their perception when evaluating the VET system. As expected, policy-makers (e.g. governance agencies and some representatives from the industry) were more optimistic about the system’s performance and mostly focused on the progress made whereas the policy-implementers (e.g. vocational teachers and individual

firms) predominantly focused on the system's on-going problems and the negative implications for the employment and industrial development.

The chapter on the Turkish VET system subsequently opened the debate for the employers' position within the system in Chapter 6. Given the state-led characteristics of the system, Chapter 6 focused on the state's requirements for employers and employers' response in turn. The chapter discussed how employers (MNCs and local firms) engage with the system and to what extent they develop a specific and unique response. The findings showed that even if the VET system is defined as state-led, the state does not determine employers' interaction with the system. It sets the minimum requirements for employers' support of the system and employment of individuals for particular vocational positions. Nevertheless, employers have leeway in developing innovative practices. The evidence from the case studies revealed that MNCs, complying with the host state's regulations, still follow different approaches in their skills development strategies. An important finding discussed in the chapter is that the selected MNCs play a leading role as the first-movers of the practices they apply in their engagement with the VET system-e.g. Toyota's laboratory model and MAN's dual VET approach. This chapter also examined the implication of the firms' relationship with VET for their HR practices (recruitment and in-firm training) as well as the relationship between manufacturing firms (buyers) and their suppliers. The research provided insight into the systemic effect regarding the case-study firms' engagement with VET and HR practices. Both the German and Turkish firms have a strong connection with the national skill system. In addition, they have integrated their HR practices into this system to some extent. They recruit only the VET graduates and organise in-firm training by building on the graduates' prior knowledge. The Japanese MNC, particularly the manufacturing firm, on the other hand, has a relatively looser relationship with the VET system and shapes its recruitment and training practices on the basis of the instructions of the HQs in Japan. Regarding the buyer-supplier relationship of the three case-study firms, however, the research did not find that this relationship was influenced by skill considerations. Instead, the evidence showed that buyers and suppliers (in the automotive industry) tend to act independently from each other in the skills development of the shop-floor employees except a limited information exchange (e.g. advice on the training practices).

Given the MNCs' different engagement with the VET system in Turkey as analysed in Chapter 6, Chapter 7 subsequently drew on the finding from chapter 6 to answer the third research question, i.e. understanding why employers (MNCs and local firms) reveal different behaviours in their engagement with the system. The research showed that three potential

factors are influential in firms' different approaches towards the VET system. These factors were identified as the home-country effect, corporate influence, and the role of individual and subsidiary actors. The 'home-country effect' represents an understanding of MNCs' behaviours by examining the impact of their country-of-origin on their behaviours in the host country environment. Both of the Japanese and German firms display the characteristics of their home countries in the Turkish context. The Japanese firm applies a firm-based training system in the skills development of the VET students. The German firm, on the other hand, applies the dual training approach that is applied as a nation-wide system in Germany. However, contrary to the situation in Germany, the absence of a strong and institutionalised coordination among social partners in Turkey compelled the German MNC to develop a firm-based dual system rather than a nationally supported system.

The second factor, 'corporate influence', embodies several firm-specific aspects in explaining the reasons of firms' (MNCs and local firms) similar and different behaviours. These aspects, as emerged from data and also highlighted in the literature, were identified as the business strategy, product type, production model, the functional integration within the subsidiary, and in particular provision of after-sales services. The research showed that similar characteristics of the German and Turkish firms encompassing production of customised products, using DQP model, and provision of after-sales services to the customers in Turkey are influential in shaping their need for high-skilled employees and their close relationship with the VET system. On the contrary, the Japanese MNC, producing relatively standard products through the mass production system and having separate functions carried out by different companies in Turkey (manufacturing by TMMT and marketing-sales by Toyota-TR) displayed a different outcome. TMMT's requirement of semi-skilled employees and organisation of skills at the firm-level were influential in the firm's looser connection with the VET system and its focus on firm-based skill practices. On the other hand, provision of services is considered to be an important element in Toyota-TR's relatively closer connection with the VET system when compared to the situation of TMMT.

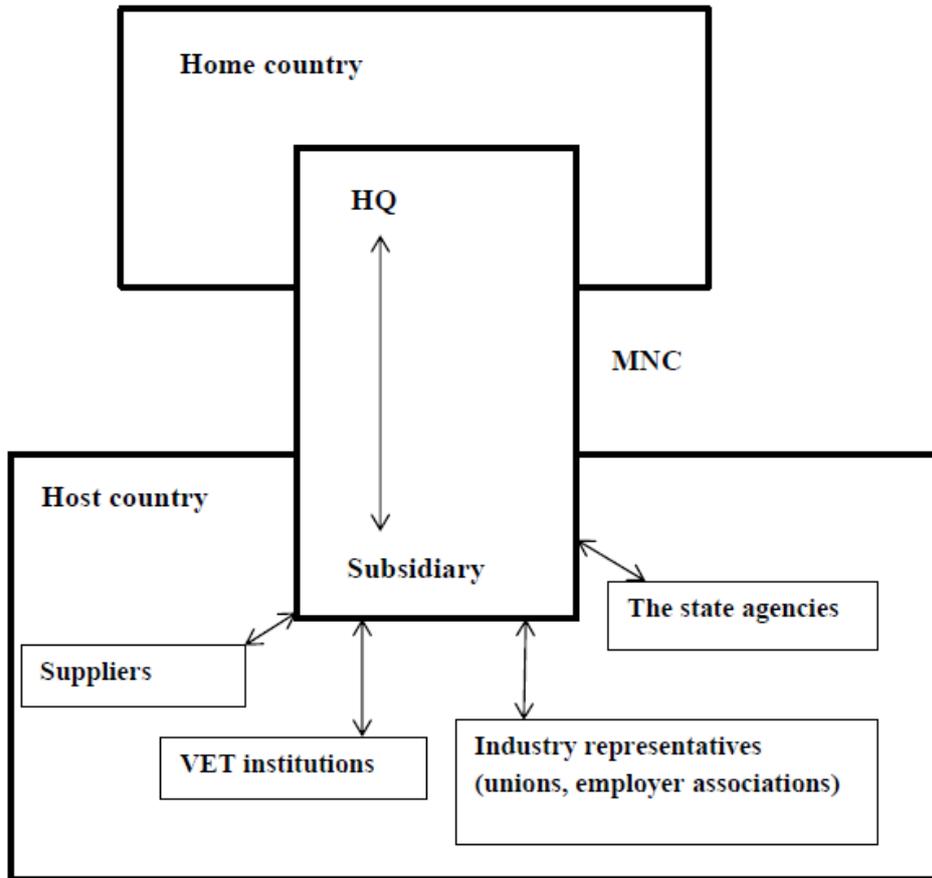
The third factor is the role of actors both at the subsidiary and individual level. This research highlighted that not only the country-of-origin and corporate characteristics of the firms, which can be considered as the structural factors, but also the discretion of the organisational actors is influential in shaping MNCs' interaction with the host country's skills system.

In summary, the findings discussed in the three empirical chapters showed that the Turkish VET system is not sufficiently well established in providing qualified skills. Therefore employers have to step in to solve the skill-related problems and the system offers some

leeway for this. The MNCs operating in this context developed different strategies and displayed different behaviours in their engagement with the VET system. Regarding this, the combination of several structural and political factors provides an insight on why the firms behave differently in the shared context and on the basis of a shared practice.

### **8.3. Key contributions to the literature**

Examining the relationship between MNCs and host country institutions in the VET context of Turkey, this research builds on debate in both the MNC and skill literatures. Four major areas of contribution are identified in this respect: agency of actors, institutional differences between home and host countries, MNCs' embeddedness in different environments, and the contradictory role of the state in a state-led VET system (see Figure 8.1). In this section, the findings of the research in these four areas are discussed in connection with the literature. However, before further discussing the contributions individually, it is important to acknowledge the existing overlap. This holds in particular for the institutional differences between home and host countries and the MNCs' embeddedness in a different environment. This complicates the discussion of these areas in different sub-sections but this nevertheless allows the analysis of each issue in sufficient detail and to link this to the appropriate literature. However, where particularly relevant, the interdependencies will be stressed.



**Figure 8.1. Overview of MNCs’ engagement with the host country institutions**

### **8.3.1. The agency of actors**

As highlighted in the introduction of the chapter, this thesis confirmed the recent arguments in the literature that institutions do not just constrain but also enable the agency of actors. This has been particularly observed in the case of MNCs’ relationship with the host country context (Kostova and Roth, 2008). This research has also shown that agency is not limited to the level of MNC and host country, but it also manifests itself in collective actors (subsidiaries as a whole) and individual actors within organisations (Saka and Geppert, 2011). The agency of actors thus needs to be analysed at three levels: MNCs, subsidiaries, and individuals.

MNCs are not passive actors simply complying with the conditions of the host country context but may perform as innovative actors introducing different perspectives and contributing to the host country institutions as long as the host country’s regulatory actors support or allow for MNCs’ different initiatives. This research shows two aspects of MNCs’

contributions to the host country system. First, they play a ‘pioneering role’ in shaping the skills system of the host country (Brewster et al., 2008). As Chapter 6 elaborated, both case-study MNCs were the first movers bringing new approaches to the VET system of the host country, and other MNCs, as well as the local players in the automotive industry, have subsequently followed them. MAN has a leading role in introducing the dual VET system at the firm level in Turkey. Similarly, Toyota has been the initiator of the ‘laboratory-model’ (firm-sponsored classes).

Regarding the connection between MNCs and local firms, an interesting finding is that the Turkish case-study firm mixes the Japanese and German initiatives. It has followed Toyota in introducing a laboratory model but also has the ambition of adopting the German way of dual VET and building a strong relationship with the VET actors. This is actually different from the findings of the study of Brookes et al. (2017)<sup>31</sup> examining the effects of host country institutions on HRM practices of MNCs. They argued that “rather than being predicted norm entrepreneurs, MNCs tended to follow the lead of local firms in adjusting HRM policies and practices” (*ibid.*, 1690). Similarly, this research’s findings contradict the findings of Mellahi et al. (2013)<sup>32</sup> and Brewster et al. (2008)<sup>33</sup> who find little evidence regarding MNCs’ pioneering role in setting the best practices disseminated in the host country and that the nature of HRM practices in local firms is different than their MNC counterparts. However, it is essential to note that the arguments of these mentioned studies are characterised by the findings encompassing the HRM practices together whereas this research only focused on firms’ skill-related practices. It has shown that in specific parts of HRM, particularly in terms of VET, there can be such an exchange between MNCs and local firms. The second aspect in MNCs’ contribution to the VET system in Turkey is that the firms’ investment in vocational training has raised awareness on the importance of a quality VET system for development of the Turkish automotive industry in the long run. In connection with these mentioned contributions, it is argued that the introduction of the laboratory model and dual VET approach has triggered the change in the VET system and that the system has become more

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<sup>31</sup> The study was conducted by collecting data through the Cranet survey of 6248 large firms (more than 100 employees) from a number of industries including transport, energy, and banking in 16 countries including European countries, Israel and Japan. (Cranet is “an international network of business schools around the world which conducts a survey of Human Resources Management, enquiring into policies and practices in people management through a set of common questions” Source: <https://learn.som.cranfield.ac.uk/cranet>, access date:28.06.2017)

<sup>32</sup> The empirical part of the study was based on the questionnaire 340 Turkish firms and 148 MNCs in several industries including automotive, food, and textile.

<sup>33</sup> The study was conducted by collecting data through Cranet survey containing evidence on HRM issues of private and public organisations in 19 European countries and Japan; 6939 firms in total from 16 industries.

institutionalised (Westney, 1993). This is argued to enable employers' sustainable support and more engagement with delivery of VET.

Given these contributions of MNCs, the argument would be that contrary to the expectation that the resistance of various 'statist' institutions hinders the change in the institutional context of the state-led VET system in Turkey, MNCs have introduced institutional change in the system. This confirms the argument that institutions do not have a deterministic nature in which "all the adjustments are one-way" from institutions to actors but they are subject to change (Thelen, 2004:31). Once acknowledging the existence of institutional change in Turkey, the subsequent question concerns what kind of change is there and what conditions enable this change. As highlighted by Streeck and Thelen (2005), it is essential to consider the complex nature of institutional change and its various forms as not every change emerges abruptly and in an observable manner. Thelen (2004:216) refers to the possibility of "ongoing but often very subtle changes in institutional arrangements that, over time, can cumulate into significant institutional transformation". Institutional change may also occur as a result of developing new institutions by combining existing ones in new and different ways, which is defined as 'bricolage' (Campbell, 2004). In the context of MNCs, the argument is that they tend to draw on their existing home country practices and develop new practices by adapting them to the host country context (Campbell, 2007). In this research, the dual VET approach of the German firm illustrates this bricolage as the firm has integrated the existing home practice into the state-led VET system in Turkey. The dual approach was introduced as a result of the German firm's efforts and subsequently regulated by the state. However, as discussed earlier, due to the absence of the required institutional context in the host country, the firm adapted the home country's nation-wide dual system to a company-based system in Turkey. Regarding the Japanese firm's laboratory model, on the other hand, it is not known to what extent bricolage is a relevant concept. For this, it is necessary to know whether the laboratory model exists in Japan in order to assess the extent and character of bricolage within the framework of the laboratory model, which may inspire future studies.

Regarding MNCs' role in institutional change, an important point is to understand what enables MNCs to achieve change in the institutional context of the Turkish VET system. One possible reason is the weakly coordinated institutional setting of Turkey that is open to change and enables actors to develop different strategies (Kristensen and Morgan, 2007). The incomplete nature of the host country institutions results in ambiguity and consequently leaves room for MNCs' different responses that lead to institutional change (Streeck and Thelen, 2005; Keizer, 2010). In terms of MNCs' influence on the host country institutions,

this research's findings reveal similarity with the findings of Monge-González and González-Alvarado (2007). The scholars conducted three case-studies of high-tech (information technology) MNCs in Costa Rica to assess how these MNCs have contributed to skills development of the country. They found the positive impact of MNCs on the host country such that MNCs have promoted changes in the national education system and they have involved in the development of their workers' skills. These outcomes were attributed to the host country's underdeveloped and incomplete skill system enabling MNCs to exert influence in Costa Rica. The similarity of the findings from Turkey and Costa Rica raises the issue of the difference between developed and developing host countries. As expected, the incomplete nature of the skill system in the developing countries enables MNCs' contribution to the host country.

As introduced earlier, the agency of actors is not limited to the influence of MNCs on the host country institutions, but this research found that it also encompasses the agency of other actors (subsidiaries and individuals). Several scholars highlight the importance of power balances and the role of actors in shaping MNCs' decisions (Almond and Ferner, 2006; Dorrenbacher and Geppert, 2011; Meardi et al., 2009). The underlying point is that MNCs are 'contested terrains' dealing with micro-political actors (subsidiaries, individuals) and macro-political institutions simultaneously (Almond and Ferner, 2006; Edwards and Belanger, 2009; Dorrenbacher and Geppert, 2011). In other words, MNCs are formed of different actors with divergent interests and identities (Jackson, 2010). For example, HQs may have an interest in controlling the transfer of particular practices and ultimately the activities of the subsidiaries across different countries; while subsidiaries are interested in gaining power within the MNC network, and individuals may pursue their own interests to gain legitimacy and power (Edwards, 2015). But, it is important to highlight that the agency of actors in terms of the roles of subsidiaries and individuals is to a great extent associated with the centralised and decentralised strategy of MNCs. A decentralised MNC context is expected to provide more room for the agency of subsidiaries and support individuals' ability and motivation to engage with the wider context of the host country.

Subsidiaries are not passive components of MNCs, merely following the instructions of their parent companies but have the capability to influence MNCs' behaviours in the host country (Morgan and Kristensen, 2006; Ferner et al., 2005). They may provide a variety of responses to the HQs' instructions as well as to the requirements of the local context (Kostova and Roth, 2002; Tempel et al., 2006). Subsidiary response ranges from resistance to complete adoption of the HQs' instructions (Tempel and Walgenbach, 2012). Furthermore, in terms of

their engagement with the host country context, subsidiaries' responses vary from passive acceptance of environmental pressures to active approaches to interpret the environment and closely engage with it (Oliver, 1991; Williams and Geppert, 2006a). This research confirms that the subsidiaries are important actors. The evidence from both case-study MNCs did not show the blocking role of subsidiaries regarding the transfer of the home-country practices. On the contrary, a cooperation-based relationship exists between the subsidiaries and HQs and this enables the transfer. The major difference was, however, found in their interaction with the host country's institutional setting. Having a decentralised structure, the German MNC leaves substantial room for the subsidiary's discretion to set up the dual VET approach in Turkey and engage with the Turkish VET system through this approach. This contrasts with the findings of Dickman (2003) with six German MNCs operating in both Britain and Spain. Dickman's (2003) study showed that despite the HQ's desire to implement the dual vocational training, rejection came from one subsidiary in Britain and one subsidiary in Spain. When compared with the German firm in this research, the evidence from the Japanese MNC having two Toyota firms, however, provided a contrasting example in the sense that the highly limited autonomous structure of the Japanese MNC drives an HQ-driven training within the firm boundaries and leaves little room for subsidiaries' discretion in changing the training practices. On the other hand, the HQ leaves more room for the firms' engagement with the host country environment in supporting the VET system.

Finally, the agency of individual actors plays an important role in changing and even transforming institutions. Institutional perspectives tend to downplay this form of agency and view individual agents as 'institutional takers' (Jackson and Deeg, 2008). But individuals have the capability and power to reproduce, reinterpret, and even transform institutions, which suggests their role of 'institutional makers' (Piekkari and Welch, 2010). Although it is difficult to distinguish individual-level independent from the organisational level analysis, as organisations are formed of individual actors, it still matters to focus on micro aspects of work organisation (e.g. managers and workers in firms) and consider individuals' motivations and interests in addition to their organisational identity (Jackson, 2010). Seo and Creed (2002) argue that individuals display more self-conscious activities when they are subject to contradiction or conflict in institutional practices, something that is particularly relevant for MNCs that are embedded in different environments. This raised consciousness is influential to challenge and change the institutional constraints (Saka and Geppert, 2011).

Two factors largely shape the agency of individuals in the context of this study: available room due to the decentralised strategy and individual motivation because of commitment to

the VET system. First, as mentioned earlier, the centralised strategy of the Japanese MNC leaves less room for the agency of subsidiaries and individuals. The decentralised strategy of the German MNC, on the other hand, provides a greater freedom for the agency. Second, individual motivation matters. The evidence from the cases of the German and the Turkish firms showed that the individual motivation and the raised consciousness of technical specialists play a substantial role in their firms' close and long-lasting relationship with the VET system. The individuals particularly coming from a VET background themselves and having a prior knowledge regarding the system's problems feel socially responsible for contributing to the improvement of the VET system. The agency of individual actors is not just limited to the individuals in the firms, but the research showed that teachers in vocational schools also play different roles as 'active and passive agents'. Active agency refers to "actors' effort to breakaway from social constraints"; whereas passive agency occurs due to actors' lack of "promoting action that transforms or challenges institutions" (Saka and Geppert, 2011:572). For example, some teachers play a key role in accessing firms and attracting the firms' investment to their schools rather than simply relying on the state's support. These teachers can be considered as 'active agents'. On the other hand, some other teachers are relatively passive agents as their actions are mostly shaped by institutional constraints and they prefer to simply follow what the regulations require.

### **8.3.2. Institutional difference between home and host country countries**

MNCs may be motivated to transfer employment practices from the home country for several reasons such as reaping the benefits of their 'best practices' in the home country and controlling their host-country operations. Regardless the reason, one important point is the required institutional conditions (e.g. industrial relations system, education and labour market institutions) for the home-country practices and their availability in the host country context. In this context, the literature often refers to the institutional difference between the home and host country (see Kostova et al., 2008). It appears that the substantial difference between the home and host country is a challenge for the transfer of the practices (Kostova, 1999). Moreover, it is not just the difference but also presence/absence of 'core' institutions in the host country that influences the transfer. Another important issue is the type of employment practices (global or context-specific). Contrary to other employment practices, training is more likely to be adjusted to the host country's institutional environment (Almond, 2011a; Heidenreich, 2012). This is empirically confirmed by Mellahi et al. (2013) focusing on

MNCs in Turkey. They showed that training is one of the HR practices that is difficult to diffuse, manage, and control; and therefore, it needs to be adapted to the local context.

This research provided important insight into the issue of institutional difference and its implication for MNCs' skill-related practices. From the perspective of MNC subsidiaries, the research explained the process for the German and Japanese MNCs to transfer the home country practices. In addition, it explored how the lack of institutionalisation of the host country's VET context at the national level constrained the transfer of the German dual approach while it enabled the transfer of firm-based training approach of Japan. In order to understand this situation, it is important to remember the requirements of the two different skill systems of Germany and Japan and the available conditions in Turkey.

As discussed in Chapter 3, the German dual VET approach requires a wider and collaborative institutional context encouraging and supporting cooperation between social partners (Thelen and Busemeyer, 2008). The pillars of this context include a strong and cooperative IR and VET system (Giardini et al., 2005; Lansbury and Pickersgill, 2002). Unions at the sectoral and national level have a strong voice in shaping the VET system. The well-established social partnership in Germany encourages agents across different institutional domains such as IR, governance, and finance system to work together in supporting the dual VET approach. When compared to Germany, Japan has a less regulated skill system at the national level and "little union involvement at the national or sectoral level" (Lansbury and Pickersgill, 2002:291). The elements of the Japanese institutional context can be summarised as a firm-based VET system, the organisation of skills at the firm level, and enterprise-based unionism (Busemeyer, 2009; Moriguchi, 2014).

Coming back to the discussion of what makes the German dual system difficult to transfer and the firm-based practices of Japan relatively easy to apply, the answer lies in the characteristics of Turkey's institutional context. The weakly coordinated context of the host country is a barrier against the transfer of practices from a highly coordinated home system, as is the case for the German MNC (Geppert and Matten, 2006). This research found that the motivation of the German MNC and general discourse of the VET policy-makers reveal the ambition to build a dual VET system at the national level. However, contrary to the complementary role of social partners in the German context, the institutional environment of Turkey encompasses the elements of a fragmented but not well coordinated social partnership, a state-led VET system, and a relatively weak IR system that is not well integrated with skill development. The absence of a well-established skills system and ambiguous roles of social actors in Turkey drive an ad-hoc and bilateral connection between

the state and other actors rather than a long-term coordination among all social actors. This different nature of the German and Turkish institutional contexts has a substantial influence on German MNCs' behaviours in the sense that it does not allow absolute transfer of the dual VET approach. Consequently, the German firm adjusted it from a nation-wide system to a firm-based approach.

Regarding German MNCs' transfer of the home country practices to a host country, this research contributes to the debate by Dickman (2003) and Pilz and Li (2014). Dickman's (2003) study of six German MNCs operating in both Britain and Spain examines the transfer of German HR policies and practices. The study showed that despite the MNCs' motivation and propensity to transfer the dual system, perceiving the system as a key instrument to achieve their quality strategy, the institutional differences of Spain and the UK, when compared to Germany, created a barrier for the transfer process. Both the UK and Spain were characterised by weaker institutional contexts less valuing the specialist knowledge and having the weak cooperation of trade unions. Similarly, Pilz and Li (2014) focusing on the vocational training behaviours of German MNCs in the US, China, and India discussed the transfer of the German VET system to other countries. The study showed a dominant localisation effect of the German firms in these three countries. In the sense of the countries' institutional framework, Pilz and Li (2014) showed the absence of a standard approach in creating a dual VET structure for initial training and the absence of national training programmes with a "strong practice component based on standard content and modern curricula" (*ibid*, p.757). Under these conditions and considering the contextual requirements of the dual VET system, Pilz and Li (2014) concluded that it is difficult to transfer the German VET system in these countries. Nevertheless, this research's findings are still different in the sense of the German firm's attempt to transfer the home practice but subsequently adjust it to the host environment by developing a firm-based dual system in the absence of a nation-wide dual approach.

Contrary to the case of the German MNC in this research, the institutional framework is less crucial for the Japanese MNC as its skill practices are predominantly shaped by firm-based policies and practices. Actual skill formation starts after employment and inside the firm and it is predominantly firm-specific (Estevez-Abe et al., 2001; Busemeyer, 2009). These home-country characteristics of the Japanese firm combined with the fragmented VET system and weak IR system of Turkey show that the institutional framework of the host country does not impose an obstacle or pressure for the Japanese firm's transfer of skills-based practices. This also concerns the enterprise-based unionism existing in the home country (Elger and Smith,

2005). The subsidiary in Turkey follows this home-country practice and subsequently, the weakly coordinated IR system of the host country enables this. The workplace unionism seems to be a common pattern observed in most of the Japanese firms operating in different host countries (see Chapter 3 for further elaboration). They predominantly avoid union recognition or tend to adopt a superficially organised process of employee consultation (*ibid*). The research thus showed that the weakly coordinated system of the host country enables the Japanese firm's transfer of the home-country practices. In this respect, the research builds on the findings by Beechler and Yang (1994) and Doeringer et al. (2003). The study of Beechler and Yang (1994:480) with 10 Japanese MNCs in the US (five in the service industry, five in manufacturing) showed that especially for the manufacturing firms, a loose labour market and supportive local government policies provided opportunities for Japanese firms to "develop Japanese-style HRM practices such as careful selection and on-the-job training". Especially regarding the recruitment process, the weakly regulated environment enabled the firms to focus on the applicants' personal values and aptitudes for learning instead of their specific qualifications and vocational certificates. This seems to be similar to the conditions of the Japanese firm in Turkey. Although the state sets the minimum requirement for employers to ensure that their employees have the relevant vocational certificates, the regulations are not so strict to constrain the employers designing their in-firm practices including the recruitment practices. A more strict approach by the state could hinder such practices as indicated by Doeringer et al. (2003)<sup>34</sup> in their study of Japanese firms in the US, UK, and France operating in three industries (mechanical engineering and transport, electronics and electrical equipment, and plastics, rubber and chemicals). The regulated nature of the French institutional framework was found to be an indirect constraint for transfer of the Japanese practices when compared to the relatively low-level regulations of the UK and US. For example, in France, the close link between nationally certified educational diplomas and job assignment was found to be a constraint for the Japanese firms to promote their manual workers to managerial positions with more technical responsibility due to the absence of required certificates. Therefore, as a contrast to the common practice in Japan, rather than upgrading the shop-floor employees to the team leader position, the firms

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<sup>34</sup> "The European data were collected through questionnaires sent to the managing directors of all 223 manufacturing plants of Japanese affiliates located in Britain and all 108 affiliates located in France. The U.S. data focused on three industries were obtained through detailed case studies of 28 Japanese transplants randomly selected from directories of Japanese affiliates in three regions. To facilitate comparison, the study was conducted with a subset of European responses (consisting of 21 plants in France and 44 in the UK) in the same three industries as the U.S. study" (Doeringer et al., 2003:274).

preferred to employ individuals holding the BTS (*Brevet de Technicien Supérieure*- Higher Technician certificate) but having no shop-floor experience (*ibid*).

In summary, the existing institutional context in Turkey makes it difficult for the German MNC's subsidiary to be the part of a nation-wide dual VET approach. This same context, however, allows the German firm to develop a firm-level dual model and the Japanese firm to continue its home practices in the sense of firm-specific skill system. Based on the evidence from both MNCs, it is concluded that it is not just the institutional difference but, as seen in the Japanese firm, the absence of core institutions also influences the transfer of the home practices. Considering the findings of this research and the characteristics of the Turkish institutional context, the prediction would be that as long as the state's dominant role fosters the absence of social partnership in which employer associations and unions are supposed to have strong positions, it is unlikely to observe a German-like VET system in Turkey. For the Japanese firms, on the other hand, the low-level regulations and absence of well-established IR system are likely to promote their enterprise-level skill practices in the future.

### **8.3.3. MNCs' embeddedness in different environments**

This research argues that MNCs' embeddedness in different environments plays a substantial role in influencing their engagement with a host country's institutions. As discussed in Chapter 2, the concept of embeddedness is often covered in different ways in the literature (e.g. Almond, 2011a; Edwards and Rees, 2001; Garcia et al., 2009). Bouquet and Birkinshaw (2008) distinguish MNCs' embeddedness as corporate and external. Meyer et al. (2011) present a similar distinction of embeddedness as internal and external. Internal (corporate) embeddedness refers to the integration within the MNC network (corporate HQ and other subsidiary units across countries). External embeddedness, on the other hand, refers to embeddedness in the host environment and MNC subsidiaries' close relationship with outside stakeholders such as suppliers, customers, and governments. Drawing on these distinctions, this research showed that external and internal embeddedness encompass several factors at the organisational and national level that shape MNCs' engagement with the host country environment (see Chapter 7 for further details). It found that the characteristics of the German firm are more linked to external embeddedness whereas the Japanese firm's characteristics are rather associated with corporate embeddedness. This embeddedness is not independent of MNCs' centralisation and decentralisation strategy (Ferner et al., 2004). Corporate embeddedness is linked to global integration and high level of centralisation (Young and

Tavares, 2004). External embeddedness, on the other hand, is associated with more local integration and decentralisation leaving room for the subsidiary autonomy (Andersson and Forsgren, 1996). At the same time, the issue of skills also needs to be considered separately from the firms' overall strategy as the German approach to skill development, in particular, can be argued to require the involvement of social partners in the host environment.

Embedded in the Turkish institutional context, the German firm produces customised products for and provide after-sales services to the local customers. The firm has a close relationship with outside stakeholders (VET actors and other social partners) and its skill practices are linked to the VET system through the dual VET approach. The firm is closely integrated into the host country's IR framework such that it holds the membership of the MESS (Turkish Employers' Association of Metal Industries) and allows its employees' union membership. The German firm's case, however, should not be interpreted as the absence of corporate embeddedness as the firm has a connection with the HQs in terms of its production and employment practices including training. But when compared to the Japanese MNC, it displays more external embeddedness in the sense of connection with the host country networks through its relations with the local actors (the state agencies, chambers, employer associations and unions). It has a relatively less centralised relationship with the HQs and more autonomy in its skill policies and practices. This seems to be an expected outcome as the higher the degree of external embeddedness, the lower the degree of the HQ's control (Andersson and Forsgren, 1996; Harzing 1999).

In examining the case of the Japanese MNC, it is essential to distinguish between the two Toyota firms. Toyota-TR, the marketing-sales firm, is relatively more embedded in the external context when compared to TMMT (the manufacturing firm) due to its customers as well as through the Toyota laboratories in vocational schools. Applying HQ-driven HR practices and assigning limited autonomy to the subsidiary, TMMT acts like an 'island' in the Turkish context. While fulfilling the legal requirements, it does not have a wide relationship with the social actors on the basis of the VET system but rather focuses on its priority of fulfilling the TPS (Toyota Production System) requirements. As elaborated in Chapter 7, TPS means more than a production system. It is defined as a philosophy shaping not only production but Toyota's whole operations in all of its subsidiaries around the world. The firm's narrow integration with the institutional context is not limited to its skill practices but it acts as independent in terms of IR such that it has an enterprise-based union for employees while neither the firm nor its employees have IR membership at the national level. Having such a limited integration with the host country, the firm rather displays the characteristics of

global integration as it operates under strong HQ control from Japan. An important indicator for this is high and direct Japanese involvement in management through the presence of the Japanese expatriates in the managerial positions of each division including manufacturing, HR, and finance as well as the position of CEO.

The findings in terms of the Japanese firm's internal embeddedness and the German firm's relatively stronger external embeddedness display similar patterns with the findings of other studies. For example, Rosenzweig and Nohria (1994), focusing on 249 MNCs in the US from 8 countries including Japan and Germany, across a number of industries, found that Japanese firms reveal a strong corporate embeddedness in their HR practices. German firms, on the other hand, are more likely to adapt to local practices (*ibid*). In addition, the studies of Whitley et al. (2003) and Gamble (2010) provide similar findings in terms of Japanese MNCs' internal embeddedness. Whitley et al. (2003) interviewed the managers of 14 Japanese MNCs in the UK in the manufacturing and financial service firms to examine the level and mode of central control of oversea units. Their study showed the existence of strong HQ control through reliance on expatriates. In particular, the Japanese car firms do not encourage their subsidiaries "to develop novel kinds of capabilities in diverse environments that could lead to the adaptation of the basic business recipe" (*ibid*, p.668). Focusing on a different kind of industry, Gamble (2010) provides similar evidence through case studies with three Japanese MNCs in the Chinese retailing industry. The study found that the subsidiaries substantially rely upon constant communication with the HQs in Japan and that the HQ control is achieved through assigning Japanese staff to senior positions. The interesting point is that even though the Japanese firms analysed in this study operate in the retailing industry that is known to be multi-domestic and therefore expected to be more local, contrary to expectations, the firms predominantly follow their home-country practices.

From the evidence in this research and the examples in the literature, it is argued that MNCs' embeddedness is an important concept in helping to understand why MNCs behave the way they do in a host country environment. Embeddedness includes several organisational and national factors including business strategy, production system and product model, provision of services to local customers, and different characteristics of the home and host country institutional settings. This suggests that without examining these factors together and in detail, one may not acquire a complete picture regarding MNCs' engagement with the host country institutions. Although this research has provided insight into these factors to some extent, future studies can undertake a more comprehensive analysis of the factors by including more MNCs from different country backgrounds and industries. In addition, limited

data did not allow this research to conduct a deeper analysis on the internal embeddedness (the relationship between HQs and subsidiary), which can be considered by future research.

#### **8.3.4. The contradictory role of the state in a state-led VET system**

Formulating and enforcing rules are shared tasks of all states while variation exists in the thrust of rulemaking. Some rules promote other actors' initiatives whereas others restrict or prevent such behaviours (Evans, 2012). Dunleavy and O'Leary (1987 cited in Martinez-Lucio and Stuart, 2011) address two dimensions of the state's role and extent of intervention. First, the state exerts coercive influence on the society through law "to sustain the established social fabric and hierarchy of a society" (*ibid*, 3663). This can be associated with the 'crowding out' role of the state by leaving little or no space for other social partners' involvement in decision-making to shape the policies and determine the rules (Aghion, et al., 2011). The second dimension concerns the state's role of less intervention and more openness that promotes and is also encouraged by a consensual approach among social partners. This is about the state's enabling role for other social partners' participation in the policy-making process. Given these different dimensions of the state's role, this research showed that in a state-led VET system of Turkey, the state plays a contradictory role. This concerns a mix of different roles varying from enabling to crowding-out allowing flexibility to the state to be compulsory where needed and more open to other actors' participation where needed.

First, the state plays the enabling role to some extent for employers' participation in the delivery of VET and introduction of their innovative practices. The state sets the minimum requirements and regulates employers' behaviours in the VET system but leaves room for employers to step in. As Chapter 6 elaborated, it is the employer-initiated practices as in the cases of the laboratory model and dual system that have become 'best practices' that the state acknowledged as effective approaches to the improvement of the VET system. However, in spite of this enabling role, the state also crowds out social partners' involvement in shaping the VET system. It regulates the VET policies and acts as the dominant actor in decision-making. In this context, the state does not sufficiently promote coordination among all social partners but it rather plays an intervening role in the negotiation of bilateral and multilateral agreements (Weiss, 2010). This suggests that the state-led system in Turkey stops the social partners from playing an important role and constrains their' potential contribution. A dilemma exists in the sense that the state acknowledges that social partners' support of the system is necessary to improve the VET system and upgrade the skill level of individuals in

the labour market. On the other hand, it seems that in practice, the state is not willing to delegate power, but rather it leaves a ‘controlled leeway’ to employing organisations and representative bodies. This means that boundaries are still determined by the state and new alliances are mostly achieved through the state’s intervention (see MacKenzie and Martinez-Lucio, 2005).

The state’s role is not limited to enabling or crowding-out, but it may play various roles in accordance with the changing circumstances. Regarding this, Van Der Meer et al. (2005) address ‘the steering role’ as a new state approach. Accordingly, “the state does not so much lead now or direct but ‘steer’ by objectives (adaptive governance) and by comparison (open coordination)...” (Stuart and Martinez-Lucio (2008:740). It appears that in the Turkish context, the state is not sufficiently playing the steering role. Based on the discourse of the policy-makers and the state’s official documents, the argument would be that the state has the ambition to shift its role from strong state-led towards steering. But it remains unknown to what extent the institutional context with highly centralised governance allows this new role and how employers exert influence over the strictly state-led policies. In this context, the employers’ role seems to be rather subordinate and supportive. Therefore, considering the highly centralised power of the state in Turkey, it is less likely to observe the state playing “a key role in introducing new actors into a regulatory space, redefining the roles of different actors and the respective balance of power between them” (MacKenzie and Martinez-Lucio, 2014:200).

Regarding the role of employers in the VET system, one important finding of this research is that even in a state-led system, the effectiveness of the national VET system is dependent not only on the state’s policies but employers can also take more responsibility. Moreover, the success of the system is not shaped by training institutions alone. The connection between the national VET system and organisations’ employment systems (working conditions, payment, and benefit) is also essential particularly in coping with the problem of the VET’s negative perception and less attractiveness in society. In other words, the employers’ role is not limited to the delivery of VET but a more important role that should be considered is the provision of decent working conditions, higher wages, and development of attractive career paths for VET graduates. Unless employers provide these opportunities for individuals following the VET path, it is not sufficient for the state to introduce regulations in order to improve the VET system. This obviously requires a concerted action among social partners, as employers are unlikely to improve working conditions without an external pushing factor. In this respect, one major conclusion of this thesis is that the VET system does not stand on its own but it

should be supported by a strong industrial relations system, which suggests that it is fundamentally crucial to include employers and unions into the system. This research has displayed that at least some employers have shown a willingness to engage further with the VET system and that the state should maybe take advantage of this.

The underlying debate in this section stresses the necessity for the state to leave more room for other actors' participation in decision-making and in particular employers' more involvement. But this does not mean the diminishing role of the state. On the contrary, the state's role has become more important as it has the unique capacity to do certain things (e.g. changing laws, opening space for negotiation among the social partners) (Howell, 2006). Moreover, the changing dynamics of external forces (e.g. globalisation, technological breakthroughs, and changing social norms) forge new and different forms of state intervention (Levy, 2006). Therefore, the state will continue to hold the power in structuring the VET system and its integration into the labour market. But this may not be taken an obstacle for achieving a concerted action through the inclusion of other actors.

#### **8.4. Policy implications**

In addition to its theoretical implications for the literature, this research is believed to offer practical implications for different parties including employers (MNCs and local firms) and policy makers in Turkey, and other developing countries experiencing similar conditions. Accordingly, the research calls for further attention in three main issues and briefly presents suggestions shared by the majority of the participants involved in this research. The first issue is the strategic importance of VET as well as its expensive nature. Supply of qualified technical skill is one of the important issues of the industry and a shared concern for all the social partners but it remains hindered by major challenges in Turkey. Given this context, VET is expected to be the main national policy and a prioritised issue in the state's agenda. Indeed, this is often highlighted in the discourse of the state's strategy documents and action plans, but not yet achieved in practice. In addition to its strategic importance, VET is an expensive form of education and its impact may be visible in the long run. This requires careful and effective planning instead of ad-hoc solutions 'to save the day'. From a broader perspective, this research calls for an urgent reform in national education including the VET system rather than developing 'patchwork solutions' to the on-going problems. VET is too important to be sacrificed for political interests. However, the circumstances of the Turkish VET system show how political interests historically dominated the strategy for national

education (e.g. the policies introduced in the '28 February Process'), which has also influenced the VET system negatively.

The second issue is mutual responsibility of social partners, particularly the state and employers, in improving the status of VET. In a state-led VET system, the common sense would be that it is the state that is mainly responsible for a negative perception of the VET system and therefore it should be responsible for fixing the reputational problems. However, the state cannot achieve this without a better involvement of social partners. Employers, in particular, have an important responsibility as they are the ones mainly determining the working conditions, career opportunities, and incentives for the VET graduates. This suggests that, as mentioned in the previous section, employers' responsibility should encompass both direct involvement in VET and the creation of jobs that motivate students to follow the VET path. Therefore, both parties (the state and employers) need to work together to fix the perception problem in cooperation with other social partners. In addition, the research highlights the need for a wider and stronger system of industrial relations and the need by the state to support this. Social partners may be crucial to ensure that skills are not too firm-specific and the working conditions of employees improved so that VET training attracts more and better students. A major step urgently needed in this regard is the delegation of more power to social partners in the policy-making process, which is weak in the current context.

The last issue is the empowerment of technical teachers and industry representatives in determining skill demand and supply. Although technical teachers of vocational schools are one of the key actors of the VET system, this research revealed that they are the ones having the lowest voice and least power within the system. This prevents achievement of an effective feedback mechanism in which the actors actively involve themselves and make a difference. Regarding the involvement of the industry representatives, actually, this has been achieved already through the Education Council in the MoNE and the sector committees in the VQA. But this research showed that there is too much from the top (the state and employers' organisations) and not enough from the bottom (individual firms and in particular those within the VET system) and therefore more need to be done for an effective analysis and action taking to achieve a bottom-up approach.

## **8.5. Limitation of the research & recommendation for future research**

Although this research offers insight into the literature and practical implications, it is not without limitation. Methodological limitations were already discussed in the Methodology chapter. Nevertheless, based on the findings from the Japanese and German MNCs, the crucial question would be whether it is typical for all the Japanese companies in Turkey to act as an ‘island’ relatively isolated from the host country context; and for the German companies to be embedded within the local context. This brings the ‘generalisation problem’ in the case studies (see Chapter 4 for further discussion). The purpose of this research is not to achieve statistical generalisation but it provides theoretical insight into several issues in the skill and MNC literature such as the role of the state in a state-led VET system, MNCs’ influence on the host country’s institutions, and evidence for a strong home-country effect. Nevertheless, in order to achieve theoretical generalisation, it might still be necessary to have a further understanding of the behaviours of Toyota as a typical Japanese firm and MAN as a typical German firm in their interaction with the VET system. Even if the interviews with the Japanese and German suppliers confirm the argument identifying the Japanese firm as an island and the German firm as a more localised MNC, it might still be different for example in Honda (Japanese) and Mercedes (German). Therefore, future research including more Japanese and German firms may provide deeper and comprehensive insight into this issue. An additional suggestion for further study is exploring inside the MNC by interviewing both HQs and subsidiaries in different countries, which was the original plan for this research that could not be achieved due to the limitation of both access and funding.

In terms of the second limitation, this research focused on employers (MNC and local firm) and their partner schools. Therefore, this research was limited to the education in vocational schools. This, however, does not mean that industry-education partnership only takes place at the secondary education level. The partnership also covers other forms of educational institutions including vocational colleges, vocational and technical departments of the universities, and technical education centres for adults and public education centres. Future studies may expand this research by exploring employers’ relationship with these different institutions to gain broader and better understanding. The methodology chapter already discussed the limitation in terms of industry and emphasised the need for extending the study to more industries to obtain a broader picture regarding MNCs’ position in the industry-education partnership. But, the issue is not limited to the MNCs’ position. One could argue that the development of a good national VET system requires the support of many industries.

This suggests the need to understand whether the VET system works in the same way in other industries as it does in the automotive industry, which highlights the necessity to extend this research by including more industries.

The third limitation is related to the buyer-supplier relationship. This research included a limited number of manufacturing (buyer) firms and their suppliers and therefore provided limited information in the sense of buyer-supplier relationship on the skill-exchange basis. But the findings briefly confirmed the literature especially in terms of the Japanese firm's keiretsu-like relations with the home-country suppliers as well as Japanese suppliers located in Turkey. This can be considered as a departure point to extend the research by covering more suppliers in the automotive industry to understand different buyer-supplier models of MNCs in a host country context in comparison to the models of local firms.

An additional and important point that is not as a limitation but rather a motivation for future studies is the examination of the missing good coordination between the state and employers and the absence of employer-related incentives (e.g. good working conditions and career options) that are crucial in making VET an attractive path for individuals.

Despite its limitations, the research is believed to achieve its major aim of understanding the two-way relationship between MNCs and the host country institutions and show MNCs' contribution to the national skills system of the host country.

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## Appendices

### Appendix 1. FDI Inflow to Turkey by sector

USD million									
Sectors	2008	2009	2010	2011	2012	2013	2014	2015	2016*
Agriculture	41	48	80	32	43	47	61	31	26
Agriculture, forestry and fishing	41	48	80	32	43	47	61	31	26
<b>Industrial sectors</b>	<b>5,186</b>	<b>3,889</b>	<b>2,884</b>	<b>7,965</b>	<b>5,480</b>	<b>4,757</b>	<b>4,258</b>	<b>5,772</b>	<b>2,669</b>
Mining and quarrying	145	89	135	146	188	717	382	207	217
<b>Manufacturing</b>	<b>3,971</b>	<b>1,642</b>	<b>923</b>	<b>3,573</b>	<b>4,519</b>	<b>2,209</b>	<b>2,742</b>	<b>4,225</b>	<b>1,710</b>
Electricity, gas, steam and air-conditioning supply	1,055	2,153	1,823	4,244	773	1,795	1,131	1,338	740
Water supply, sewerage, waste management and remediation	15	5	3	2	0	36	3	2	2
<b>Services</b>	<b>9,520</b>	<b>2,315</b>	<b>3,274</b>	<b>8058</b>	<b>5,238</b>	<b>5,086</b>	<b>4,312</b>	<b>6,271</b>	<b>4,191</b>
Construction	337	209	314	301	1,427	178	232	106	307
Wholesale and retail trade	2,088	390	435	709	221	379	1,136	598	601
Transportation and storage	96	230	182	223	130	364	594	1,524	544
Accommodation and food service activities	25	54	113	122	16	59	24	11	235
Information and communication services	97	173	36	36	134	120	214	150	91
Financial and insurance activities	6,136	817	1,620	5,882	2,084	3,415	1,470	3,516	1,705
Financial service activities (banks)	4,111	473	835	4,745	1,500	1,608	912	2,776	1,271
Insurance, reinsurance and pension funding (except compulsory social security)	1,895	174	765	881	348	1,538	199	117	116
Activities of holding companies	68	154	10	170	176	229	226	438	264
Other activities auxiliary to financial services	62	16	10	86	60	40	133	185	54
Real estate activities	453	210	241	300	174	128	252	171	277
Professional, scientific and technical activities	52	81	94	103	78	87	94	51	72
Administrative and support service activities	25	6	0	47	234	185	21	55	34
Education	0	1	17	68	60	2	0	0	13
Human health and social work activities	147	105	112	231	546	106	204	58	273
Arts, entertainment and recreation	40	25	51	13	81	5	15	9	18
Other service activities	24	14	59	23	53	58	56	22	21
<b>Total</b>	<b>14,747</b>	<b>6,252</b>	<b>6,238</b>	<b>16,055</b>	<b>10,761</b>	<b>9,890</b>	<b>8,631</b>	<b>12,074</b>	<b>6,886</b>

(\*) Provisional

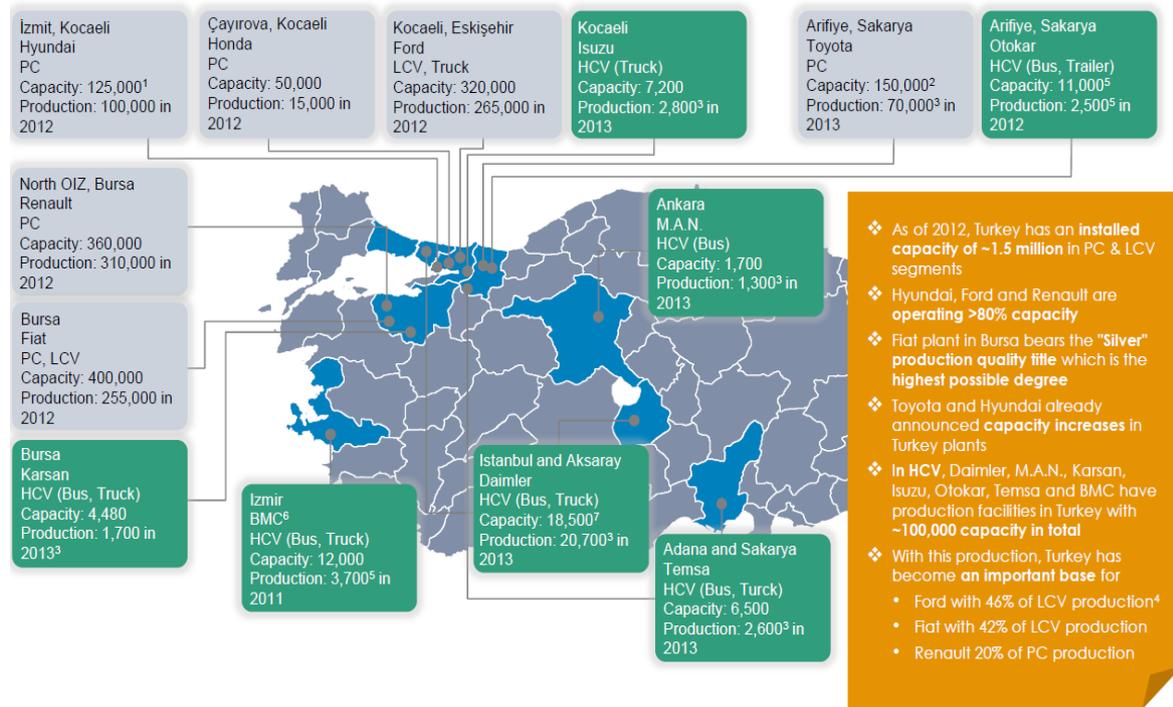
Source: Central Bank of the Republic of Turkey. Available at: <http://www.invest.gov.tr/en-US/investmentguide/investorsguide/Pages/FDIinTurkey.aspx> (Access date: 16.05.2017)

## Appendix 2. Historical development of Turkey's VET system

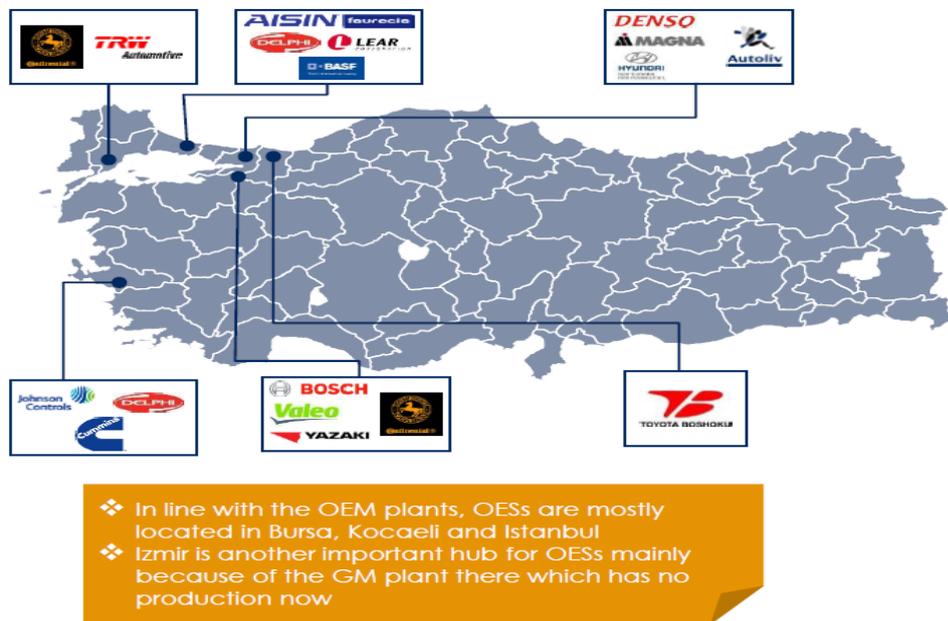
<b>1923-1980s</b> <b>Formation of the VET system</b>	<b>1980s- 1990s</b> <b>Early stage of development</b>	<b>Late 1990s-2000</b> <b>Stagnation and regression</b>	<b>2000- today</b> <b>Transformation</b>
<p><b>1927-</b> the Vocational Schools Law (No.1502)</p> <p><b>1933-</b> reorganisation of the MoNE, special division for VET</p> <p><b>1977-</b> the Law of Apprenticeship, Journeymanship and Mastership (no.2089)</p> <p><b>1984-</b> the 'Turkish-German Apprenticeship Training Project'</p>	<p><b>1986-</b> the Apprenticeship Law No. 3308</p> <p><b>1988-</b> introduction of the German dual system</p>	<p><b>1999-</b> the HEC's coefficient decision for the VET graduates</p> <p>Political context of Turkey (28 February 1997- post-modern military intervention)</p>	<p><b>2001-</b> the Vocational Education Law No 4702</p> <p><b>2002-</b> <i>MEGEP</i> project</p> <p><b>2003-</b> <i>MTEM</i> project</p> <p><b>2006-</b> establishment of the VQA</p> <p><b>2009-</b> the HEC's announcement of abandoning 'coefficient implementation' for the VET graduates</p> <p><b>2012-2014</b> <i>METEK</i></p> <p><b>2012-</b> the agreement signed between the MoNE and MoSIT</p> <p>'Strengthening Vocational and Technical Education in Organised Industrial Zones'</p> <p><b>2014-</b> restructuring the categories of vocational schools</p>

### Appendix 3. Overview of automotive firms in Turkey

“There are 13 Original Equipment Manufacturers (OEM) in Turkey, producing over 1 million units of vehicles yearly” (ISPAT, 2014:3)



“In Turkey, there are 47 registered automotive suppliers with revenues exceeding USD 40 million” (ISPAT, 2014:10).



Ranking	Major suppliers	2012 Revenue USD million	Products	Long-term expansion	Long-term plan announcement
1	 <b>BOSCH</b>	863	Brake systems, boosters, power limiters & regulators, repair kits, brake shoes, wheel brake cylinders, drum & disk brakes	↑	EUR 300 mln investment on Bursa plant until 2013
2	 <b>DELPHI</b>	513	Cables, electrical/electronic architecture systems and components, fuel pumps, fuel injectors, nozzles, valves	→	(No announcement)
3	 <b>Autoliv</b>	291	Steering wheels, seat belt, air bags	↑	Shifting production capacity in Tunisia to Turkey
4	 <b>CMS</b>	265	Wheels	↑	EUR 135 mln investment on new plant construction in 2012
5	 <b>STANDARD PROFIL</b>	265	Rubber bonded metal parts, seal & gasket sets, waist belts, hood/windshield/rocker panel seal, glass run channels	↑	Double the employment in Manisa plant by 2012
6	 <b>HEMA ENDÜSTRİ A.Ş.</b>	265	Drivetrain components, engine components	↑	Targets to become one of the leading tech providers in 2023
7	 <b>FEDERAL MOGUL</b>	253	Cylinder liners, piston rings & piston ring carriers, valve, lighting, fuel systems, brake parts, chassis, ignition parts	→	(No announcement)
11	 <b>YAZAKI</b>	208	Electrical and electronics components	→	(No announcement)
25	 <b>GEVHER</b>	83	Wheels	→	(No announcement)
34	 <b>KANCA</b>	63	Camshafts, connecting rods, crankshafts, engine parts, gear box and transmission parts, forged suspension parts	↑	Increase production capacity three folds in 10 years
44	 <b>COŞKUNÖZ METAL FORM</b>	47	Suspension & body parts, fuel tanks, chassis and rear axle, exterior	↑	Open production facilities in Europe by 2013

Source: ISPAT (Investment support and promotion agency of Turkey) (2014). Turkey's automotive industry. Available at: <http://www.invest.gov.tr/en-US/infocenter/publications/Documents/AUTOMOTIVE.INDUSTRY.pdf> (Access date: 17.05.2017)

#### **Appendix 4. Corporate history of the MAN subsidiary in Turkey**

**1912** Historical Galata Bridge is constructed by MAN

**1966** Founding of MAN A.Ş. and construction of a truck plant in Istanbul

**1967** Production of the first truck in Istanbul

**1981** MAN exports its first vehicle from Turkish production

**1985** Start-up of the truck plant and a separate engine factory in Ankara

**1986** MAN produces the first articulated bus in Turkey with a turbocharged four-stroke diesel engine

**1995** Takeover of the industrial leadership by MAN; sale of the plant in Istanbul and concentration of the production of trucks, city buses and coaches in Ankara

**1999** MAN produces the first three-axle coach in Turkey

**2006** MAN produces the first natural gas buses in Turkey

**2011** Start-up of the CDP unit (cathodic dip painting)

**2014** Decision about the production of all NEOPLAN buses exclusively in Turkey.

**Source:** <https://www.mantruckandbus.com/en/company/production-sites-man-truck-and-bus/production/ankara.jsp> (Access date: 24.01.2017)

## **Appendix 5. Corporate history of the Toyota subsidiaries in Turkey**

<b>July, 1990</b>	Establishment as Toyotasa
<b>May, 1992</b>	Ground-breaking ceremony
<b>September, 1994</b>	Start of production with 7th generation Corolla Sedan
<b>October, 1995</b>	Start of 7th generation Corolla Wagon production
<b>November, 1996</b>	Awarded ISO 9001 certification
<b>August, 1998</b>	Start of 8th generation Corolla Sedan production
<b>June, 1999</b>	Awarded ISO 14001 certification with zero non-conformances
<b>June, 2000</b>	100.000th vehicle manufactured
<b>October, 2000</b>	Re-structuring, and the establishment of Toyota in Turkey (two different firms as TMMT and Toyota-TR)
<b>January, 2002</b>	Start of 9th generation Corolla Sedan production
<b>February, 2002</b>	Start of exportation
<b>August, 2002</b>	Start of 9th generation Corolla Wagon production
<b>March, 2003</b>	Start of double shift operation
<b>February, 2004</b>	Capacity increase from 100K to annual 150K units
<b>February, 2004</b>	Start of the new Corolla Verso production
<b>May, 2004</b>	New Corolla Verso awarded 5 stars by Euro-NCAP
<b>Dec, 2005</b>	500.000th vehicle manufactured
<b>February 2007</b>	Start of the Auris production
<b>February 2009</b>	Start of NG Verso
<b>March 2009</b>	1.000 000th vehicle manufactured
<b>June 2013</b>	Start of 11th generation Corolla production
<b>October 2014</b>	20th production anniversary

**February 2016**

Announcement of Toyota C-HR  
production by TMMT

**October 2016**

Start of the Toyota C-HR production

**Source:** <http://www.toyotatr.com/?m=p&pid=6>  
(Access date:06.08.2017)

## **Appendix 6. Corporate history of TEMSA**

**1968** Establishment of Temsa

**1983** Distribution agreement was signed with the Japanese company Komatsu

**1984** The agreement of distributorship, licensed production, and technical support was signed with the Japanese company Mitsubishi Motors

**1987** The first intercity passenger bus ‘Marathon’ was introduced to the market

**2001** The first original TEMSA-designed bus ‘Safari’ was produced

**2003** ‘TEMSA Europe’ opened

**2008** TEMSA was awarded as the ‘Bus Producer of the Year 2008’ at the Busworld Kortrijk Fair in Belgium.

**2008** The R&D centre was founded

**2008** The TEMSA Deutschland Company was founded in Germany

**2008** Entry into the American market

**2012** TEMSA was awarded with five-year additional support from the TURQUALITY Programme due to its outstanding performance abroad.

**2013** TEMSA separated its operations in the automotive and work machinery fields and focused on the automotive industry.

**Source:** <http://www.temsa.com/UserFolder/tr/temsa-kurum-profil-2014.pdf> (Access date: 08.02.2017)

## Appendix 7. List of the interviews and institutions

### 1. FIRM-LEVEL

Manufacturing firms (case studies)	# of exchange (F2F-face to face interview, e-mail, phone call)	Form of document provided by the interviewees	
The German MNC	3 (HR specialists and purchasing manager)	F2F interview with all three people	
The Japanese MNC			
Manufacturing firm	2 (HR manager and HR specialist) → 1 F2F, 1 e-mail 1 senior project leader (purchasing) → e-mail+ phone call 1 assistant manager of corporate affairs → e-mail 1 employee → Skype interview		
Marketing and sales firm	1 (Training manager)	F2F, e-mail as follow-up	
The European HQ	1 (Customer service training projects manager)	Email	
The Turkish firm	5 (HR manager, HR specialists, purchasing engineers)	F2F interview with all, e-mail as follow-up with the training specialist	3 pieces document (information on the firm's skill development centre, its activities on school-industry partnership, production and product types)
<b>Total</b>	<b>15</b>		
<b>SUPPLIER FIRMS</b>			
<b>The German MNC's suppliers</b>			
Sup1 <sup>35</sup>	1 (Sales)	F2F	
Sup2	2 (Sales,HR)	e-mail interview	
Sup3	1 (Sales)	F2F	
<b>The Japanese MNC's suppliers</b>			
Sup4	1 (HR)	F2F	
<b>The Turkish firms' suppliers</b>			
Sup5	2 (HR, sales)	F2F	
Sup1	1 (Sales)	F2F	
Sup6	1 (Sales)	F2F	
Sup7	1 (HR)	F2F, e-mail as follow-up	A document explaining the details of the firm's technical training centre (TGA- <i>Technisch Gewerbliche Ausbildung</i> )
<b>Total</b>	<b>9</b>		
KOC HOLDING <sup>36</sup>	1 (CSR manager)	F2F	

<sup>35</sup> Same supplier works for both the German and Turkish firms.

<sup>36</sup> One of the largest groups of companies in Turkey, this Turkish conglomerate plays a leading role to improve the VET system in Turkey through its well-known CSR project 'Vocational Education: A Crucial Matter for the Nation' (*MLMM* in Turkish).

## 2. SCHOOL-LEVEL

Vocational schools (partner schools of the case study firms)	# of interviewees	# of exchange (F2F interview, e- mail, phone call)	Form of document provided
The German firm's partner	1 (technical teacher)	F2F, e-mail as follow- up	Document (Information about the school's and dual VET's history, the list of schools offering a dual VET approach, curriculum of vocational schools and dual VET centres)
The Japanese firm's partner	3 (technical teacher)	F2F	
The Turkish firm's partner	2 (technical teacher)	F2F	
<b>Total</b>	<b>6</b>		

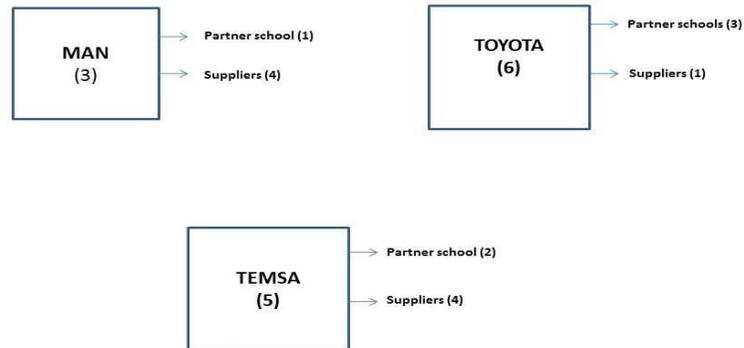
## 3. INDUSTRY-LEVEL

SECTOR REPRESENTATIVES	# of interviewees	# of exchange (F2F interview, e-mail, phone call)	Form of document provided
Employers' associations	3 (managers, specialist)	F2F, e-mail as follow- up, phone call	Several pieces of document of Turkish automotive industry strategy and action plan (2011-2014), automotive industry report- 10 <sup>th</sup> development plan (2014- 2018), restructuring of the MoNE (2012), information on the technical and industrial vocational school established in Bursa by the Uludag Automotive Industry Exporters' Association (OIB)
Trade union	2 (specialist, manager)	F2F	
<b>Total</b>	<b>5</b>		

#### 4. STATE-LEVEL

PUBLIC INSTITUTIONS	# of interviewees	# of exchange (F2F interview, e-mail, phone call)	Form of document provided
The Ministry of National Education	2 (senior official, specialist)	1 F2F, 1 e-mail interview	Two pieces of document (information on the number of students studying in the field of motor vehicle and the list of schools delivering education in this field; the list of schools having protocol with automotive firms (2015-2016))
The Vocational Qualifications Authority	1 (specialist)	F2F, e-mail as follow-up	Institutional document
Industry Chambers	2 (HR managers)	F2F	
<b>Total</b>	<b>5</b>		

#### Overview of the number of the interviews in the case-study firms



## Appendix 8. Illustrative set of the interview questions

### Interview Questions for Multinational Companies<sup>37</sup>

This research aims to explore the two-way relationship between MNCs and host-country institutions in terms of skill formation and development. The research focuses on both the organisational relationships within the MNCs - namely between headquarters and subsidiaries- and the relationships between the MNC and other organisations including suppliers but also host country institutions including ministries, training centres, and chambers of industry and trade.

During the interview, I would like to discuss HRM issues, in particular skill development at your firm and your engagement with the VET system. This interview would take one to one-and-a-half hour and can be conducted in either English or in Turkish. Any information obtained will be dealt with in utmost confidence and your firm's identity will be protected in future publications.

#### I. Organisation

1. What are your products?
2. Do you know the reason of investment decision in Turkey? In other words, why are you here?
3. Are you a greenfield or brownfield site organisation?
4. When did you start production in Turkey?
  - 4.1. Which part of production is carried out here?<sup>38</sup>
    - 4.1.1. Do you have additional roles besides manufacturing itself?
  - 4.2. How many units do you produce per year?
  - 4.3. How much investment is allocated in total to this subsidiary?
5. How is the organisational structure of the firm?
  - 5.1. How many departments do you have? What are they?

#### Production and skill issues within the firm

1. Where is your production and management centre?
2. How do you define the methods of production in the firm?<sup>39</sup>
3. Is production organised differently (than in the home country)? Why?
  - 3.1. Does skill determine investment decisions (e.g. certain types of production)?
4. Do the products produced in Turkey differ from those produced in home country?
  - 4.1. How does this situation affect skill formation process on the shop floor?

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<sup>37</sup> The translated Turkish version of transcript is available on request.

<sup>38</sup> Production content of the subsidiary: R&D, production design, and production of sophisticated parts

<sup>39</sup> Just-in-time/ lean production; small-lot production; order-based production; process/continuous improvement- *kaizen*

## II. HR practices

### a. Recruitment & Selection

1. What are the types of employees you hire/employ?<sup>40</sup>
  - 1.1. Do you have pre-requisite of a candidate as a graduate of vocational school? Or do you prefer a candidate with a general education so you can provide an intensive training afterwards?
    - 1.1.1. What can be the advantages of recruiting VET school graduates?<sup>41</sup>
  - 1.2. What are the skill requirements for the candidates to be employed (candidates in different positions)<sup>42</sup>?
    - 1.2.1. Under what conditions do you hire temporary and permanent employees?
  - 1.3. What can you tell about changes in your firm's skill demands?
    - 1.3.1. Is there any tendency towards broader skills with more theoretical knowledge or tendency towards more specific technical skills?
2. How does the recruitment process work for different positions?
  - 2.1. How do you assess the candidates' qualifications? Is there any system of skill assessment/ system of keeping record of skills?
  - 2.2. Do you require certificates in recruitment process?
3. What does a vocational certificate (diploma) mean/ represent for you?<sup>43</sup>
4. How do you attract qualified employees? Why do employees choose this firm? (Career, wage, benefits, etc.)

### b. Skill deficiencies

1. Do you have any difficulty to find required skills/ specific combination of skills? Which specific skills do you struggle to find?<sup>44</sup>
2. Let's say you are looking for a certain type of employee and you could not find him/her for 6 weeks. What would you do in this condition?
3. Regarding the newly recruited employees, what specific problems do you encounter in terms of skill quality, adaptation to corporate culture, and working discipline?
  - 3.1. Can you give specific examples?
  - 3.2. How do you approach/ respond to these problems?<sup>45</sup>

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<sup>40</sup> Employees with specific competence/ general education/ job experience/ learning aptitude; graduates from vocational schools

<sup>41</sup> Know how to use basic tools; protect the material; the national employment agency's incentive to firms for hiring VET graduates

<sup>42</sup> Multi-skilled employees vs. specialists/ temporary vs. permanent employees

<sup>43</sup> Credibility of vocational certificate (diploma): competency vs. low academic level

<sup>44</sup> Available skill pool in the labour market

<sup>45</sup> Strengthening in-firm training system or engaging with national system, communicate/ coordinate with local governance actors

## **c. Training & Career Development**

### **Training practices**

1. Who designs the training?
  - 1.1. Where are the training documents/ manuals developed? By whom?
  - 1.2. Are these documents applied in all subsidiaries?
  - 1.3. If you adopt the documents developed by the HQs, how do you implement them in practice?
    - 1.3.1 Did you face any difficulty in implementation process? How do you deal with this issue?<sup>46</sup>
2. How many hours of training do you provide to employees?
  - 2.1. (If you have both temporary and permanent employees) is the training duration same for both groups?
3. Where does the training generally take place?
  - 3.1. Who gives the training?<sup>47</sup>
4. Who monitors training/ skill issues? Any involvement from the headquarters (HQs)?
5. How do you allocate financial resources for skill development?
  - 5.1. Do you receive financial support from the HQs?
6. How do you assess the training need? What kinds of tests do you use?
7. What are the types of training<sup>48</sup> and training procedures<sup>49</sup>?
  - 7.1. Who qualifies (which employees receive training)?
    - 7.1.1. (If you have both temporary and permanent employees) Is there any difference of providing training to temporary and permanent employees at the shop floor?
    - 7.1.2. How does this situation affect organisation of training?
    - 7.1.3. What are the outcomes in terms of productivity and product quality?
  - 7.2. How important is OJT (on-the-job training) in technical skills development? Why do you think so?
  - 7.3. Do you offer regular job rotation? (Why/ not?) Which employees are candidates for job rotation?
  - 7.4. Do you provide other forms of training such as Off-JT? If so, what types of methods do you use to implement Off-JT for technical employees?

### **Outcomes**

8. What are the training challenges? How do you cope with them?
9. How do shop-floor employees become aware and equipped regarding the issues of problem solving, self-inspection of quality, and improvement?

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<sup>46</sup> Language problems, different conditions than the home country, etc.

<sup>47</sup> Internal employees, external experts, someone from the HQ or other subsidiaries, suppliers

<sup>48</sup> Formal & informal; on-the-job training (teaching each other, knowledge sharing), job rotation, quality circles, off-the-job training; availability of multifunctional teams

<sup>49</sup> How to organise training: Training needs analysis, decision on the form of training, assessment of the outcome of training –reward, certificate, etc.

10. How do you evaluate the outcome of training? Is there an obligatory examination mechanism assessing the outcome of training?
11. How do you motivate people to acquire new skills and develop existing ones?<sup>50</sup>
  - 11.1. To what extent skill (what kind of skills) plays a role in promotion and pay? If so, how?
  - 11.2. Under what conditions (for which positions) do you choose entry-level employees or mid-level, qualified employees? Do you prefer internal promotion for mid-level positions? Why (not)?
12. Do you provide any certificate for skill development when an employee completes a training programme? If so, is this certificate valid in other firms if the employee wants to work in another firm?
  - 12.1. What are the career options within the MNC (in other subsidiaries and the HQs)?
13. Do you lose employees to other firms in the industry? How do you deal with the poaching risk?

### **III. Relationship with unions**

1. Can we talk about unionization here? Why (not)?
  - 1.1. If yes, how would you describe your relationship with the union?
  - 1.2. Do you have any collaboration with the union in terms of skill development?

### **IV. HQs-subsidary relationship**

1. In what way do you think acquisition type of your firm affects your employment policies/ practices?<sup>51</sup>
2. (How) do employment practices and particularly training differ from home country practices (other subsidiaries)?
  - 2.1. To what extent HRM is determined by the HQs?
  - 2.2. How much freedom is there to deviate from home country practices?
  - 2.3. Under what conditions did you have to adjust to Turkish context? How did you manage adjustment?
  - 2.4. Do you have to negotiate the adaptations with the HQs?
    - 2.4.1 If so, can you provide some examples?
    - 2.4.2 What kind of evidence do you provide to the HQs to justify the adaptation?
3. Do you have any expatriate from the HQs?
  - 3.1. (If you have) How do you get your expats?
    - 3.1.1. Do you take initiative in terms of requiring an expat for specific positions?
    - 3.1.2. Who decides on the need for expats?

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<sup>50</sup> Connection between pay& promotion and skill development

<sup>51</sup> Greenfield vs. brownfield

- 3.2. (If you have) What is the division of labour between the expats and your employees/managers?<sup>52</sup>
- 3.2.1. Which positions/roles do they commonly perform?
4. Based on these discussions, what is your overall assessment for your subsidiary's relationship with the HQs?<sup>53</sup>
- 4.1. Why do you think so? Is there any specific example making you think so?<sup>54</sup>

## **V. Suppliers**

1. What types of production parts and components do you produce?
2. What types of production parts and components do you purchase?
  - 2.1. How dependent are you on purchased parts/ percentage of purchased parts?
  - 2.2. Where do you get them?<sup>55</sup>
    - 2.2.1. What do you do if these parts are difficult to get?  
Import/ bring suppliers/ use alternatives?
3. Do you have an overview of the connection of the firm with its different types of suppliers?
4. Who decides on which suppliers you work with?
5. Do you distinguish different groups of suppliers?
6. Regarding the 1<sup>st</sup> tier suppliers, how do you coordinate with your suppliers during the production process?<sup>56</sup>
  - 6.1. Do you receive the end product from your suppliers?<sup>57</sup>
  - 6.2. Are you in a constant coordination and communication with your suppliers?<sup>58</sup>
7. Do you have concerns for skill level in your suppliers? Why (not)?
8. Is there any coordination/cooperation with the suppliers in terms of training and skill development?<sup>59</sup>

## **VI. National skill system**

### **a. Involvement in the national system**

1. Do you engage in the system? If so, how? If not, why?
  - 1.1. Are there legal requirements for your involvement in the VET system?
  - 1.2. What kind of cooperation exists with the state and vocational schools (if there is)?<sup>60</sup>

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<sup>52</sup> Specific roles and authority level of the expatriates

<sup>53</sup> Top-down, bottom-up,?

<sup>54</sup> Decision-making for specific employment practices

<sup>55</sup> Local suppliers, Japanese/German suppliers in Turkey, global suppliers, suppliers in Japan/Germany/other countries?

<sup>56</sup> Possibility of different type of relationship with different suppliers; hierarchical (following top-down commands vs. network relationship including complementary roles

<sup>57</sup> An independent production process

<sup>58</sup> An integrated process

<sup>59</sup> Exchange staff, blueprints/technical coordination

<sup>60</sup> Funding, supply of teaching material & staff, workshops, laboratories in schools, training centre, employment opportunities for new graduates, coordination with schools in shaping the curriculum, open new divisions based on the company need

- 1.3. Considering the skill issues, what is your opinion about coordination and collaboration among different employers and unions in the industry?
- 1.4. What are the main challenges in the industry in terms of skill formation?
  - 1.4.1. Can you give specific examples?
2. What motivates you to support/engage in national skill system?
  - 2.1. What are the costs and benefits of participating in national skill system?
3. Is there an official communication channel enabling you to negotiate the occupational content and vocational education curriculum with the state?

**b. Evaluation of the system**

1. What do you think about the main issues in Turkish VET system? What does the system produce?<sup>61</sup>
  - 1.1. What strength does it have?
  - 1.2. Is the system able to respond to the changing conditions/ industry needs?
  - 1.3. What challenges do you think it creates to the company in skill development?<sup>62</sup> What is missing? What should be improved?
2. What is your evaluation about the general status/reputation of VET?
3. Based on overall discussion regarding the system, what can you say about the current structure of the VET system? Is it a centralized system controlled by the state or is there a shift towards a decentralized structure?

**VII. Investment in Turkey**

1. Why do you think Turkey has been attractive for multinationals?<sup>63</sup>
  - 1.1. Do you think it is still attractive? Why (not)?
2. What can you say about the state's approach towards multinationals particularly in the automotive industry?
  - 2.1. Does the state provide any incentive to you in terms of supporting/facilitating your operations in Turkey?<sup>64</sup>
3. What do you think about your presence, your contribution to Turkey? What have you brought to Turkey?<sup>65</sup>
4. What about political parties and the government's awareness of skill issues? Do they really support the skill development issues?

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<sup>61</sup> e.g. German system is accepted to produce qualified intermediate skills by apprenticeship system

<sup>62</sup> Flexibility of the system to response changing demand of the industry, supply of educated and trainable employees, etc

<sup>63</sup> Government policy, political stability, business infrastructure, and geographical location

<sup>64</sup> Supportive regulations, adjusting conditions, tailoring national business system, flexible in terms of implementing regulations

<sup>65</sup> Positive &negative impact for economy, social development

## Appendix 9. Coding list for the participants' profiles

### Manufacturing Firms

<b>F1a</b>	HR specialist1 (technical training)
<b>F1b</b>	HR specialist2
<b>F1c</b>	Purchasing manager
<b>F2a</b>	HR manager
<b>F2b*</b>	HR specialist1
<b>F2c</b>	HR specialist2
<b>F2d *</b>	HR specialist3
<b>F3</b>	Training manager
<b>F4a</b>	HR manager
<b>F4b</b>	HR specialist1 (technical training)
<b>F4c</b>	HR specialist2
<b>F4d</b>	Purchasing engineer1
<b>F4e</b>	Purchasing engineer2
<b>F5</b>	CSR manager

\*Interviewed for the MSc dissertation

### Sup- Supplier Firms

<b>Sup1</b>	Sales specialist
<b>Sup2a</b>	Sales specialist
<b>Sup2b</b>	HR specialist
<b>Sup3</b>	Sales manager
<b>Sup4</b>	HR specialist
<b>Sup5a</b>	Sales manager
<b>Sup5b</b>	HR manager
<b>Sup6</b>	Sales specialist
<b>Sup7</b>	HR specialist (technical training)

### Vocational Schools- Technical teachers

<b>Sch1</b>	Technical teacher
<b>Sch2a</b>	Technical teacher1
<b>Sch2b</b>	Technical teacher2
<b>Sch3</b>	Technical teacher
<b>Sch4a</b>	Technical teacher1
<b>Sch4b</b>	Technical teacher2

### The state agencies

<b>Stat1</b>	Senior official, VET department of the MoNE
<b>Stat2</b>	Specialist, the VQA

### Chambers

<b>Chamb1</b>	HR manager
<b>Chamb2</b>	HR manager

### Industry actors

<b>Ind1</b>	Manager (Employers' Association)
<b>Ind2</b>	Manager (Employers' Association)
<b>Ind3a</b>	Specialist (Trade Union)
<b>Ind3b</b>	Manager (Trade Union)

### **Appendix 10. Steps of a protocol signed between employers and the MoNE**

For the firms that are enthusiastic about signing a protocol with the MoNE, the steps are clearly defined on the Ministry's website (see Figure 1).<sup>66</sup> As the first step, a firm delivers its request to the VET Division of the Ministry in the form of an official letter in which the firm clearly indicates the aim and content of the protocol to be signed. As the next step, 'Protocol Commission', formed in the Department of Social Partners and Projects of the VET Division, assesses the request. If the Commission accepts the request, the firm is then required to prepare a draft of the protocol by filling the form provided on the Ministry's website and submit it to the Commission. This draft should cover the protocol's main aim, content, legal basis, and responsibilities of the parties involved in the agreement. In terms of the content, the protocol draft defines various aspects of the firm's relationship with the VET system. These aspects include opening vocational education classes and providing technical equipment and educational documents to vocational schools. Additionally, firms offer a scholarship to successful students and provide training to technical teachers on the basis of this agreement. The protocol duration should also be displayed in the draft prepared by the firm with extension and cancellation details since each protocol is only valid for a certain period. If the firm wants to extend the period, it needs to renew the protocol in coordination with the MoNE. As the final step, the General Director of the VET Division and the Counsellor of the MoNE revise and approve the last version of the protocol.



**Figure 1. Steps of making a protocol agreement**

<sup>66</sup> <http://mtegmprojeler.meb.gov.tr/index.php?pg=protokolhazirlama> (Access date: 15.02.2016)