SIMILARITIES AND DIFFERENCES AMONGST MNCs IN TECHNICAL SKILL DEVELOPMENT: A COMPARATIVE CASE STUDY OF THE TURKISH AUTOMOTIVE INDUSTRY

A dissertation submitted to the University of Manchester for the degree of

Master of Science

In the Faculty of Humanities

2013

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Contents

Word Count: 17,885

List of Figures

ABSTRACT

This dissertation concentrates on two important aspects: Multinational companies' (MNCs) internal skills development and their engagement with the vocational education and training (VET) system of the host country. It explores similarities and differences of MNCs in terms of vocational training and what kind of a role they undertake within the national VET system. Accordingly, a comparative case study method was applied to one German and one Japanese MNC operating in the Turkish automotive industry. Five semi-structured interviews were conducted with people from Human Resources Departments of these companies. The findings showed that both companies allocate substantial resources for technical skills development. However, they differ in terms of a skill-related relationship with their respective headquarters (HQ). The Japanese subsidiary was found to have a centralized relationship with the parent company since it directly transfers employment practices defined by the HQ. On the other hand, the German subsidiary was found to have a relatively decentralized relationship with its corporate head office, which enables the company to receive the idea from the HQ and adapt it to the local context. Lastly, the findings indicated that the MNCs differ from each other in terms of their engagement with the national VET. The German subsidiary was found to be in constant interaction with the system actors and play a leading role in the industry regarding the improvement of the system whereas the Japanese subsidiary was found to be relatively enclosed to the system except fulfilling its legal obligation. Based on the findings of this dissertation, it can be stated that the Japanese MNC acts like a 'typical' Japanese firm and the German MNC acts like a 'typical' German firm in the Turkish context.

Keywords: Multinational companies, Turkish automotive industry, transfer, vocational education and training.

DECLARATION

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ACKNOWLEDGEMENTS

Firstly, I would like to express my deepest gratitude to my supervisor Dr. Arjan B. Keizer for his valuable guidance, advice, encouragement, and support. I really do appreciate his patience as he often had to read my long and complicated sentences and exerted a great effort to correct them. I felt confident while writing this dissertation because I knew he was always there when I needed him. I also want to thank the Ministry of National Education (Turkey) for sponsoring my academic studies and providing me the opportunity to study in the UK. I want to express special thanks to Sedat Kus for helping me access Toyota Turkey, and Dogus Karaca for his support in my access to MAN Turkiye A.S. I want to thank these two firms as they allowed me to visit their factories and conduct the interviews. A special thanks to Bulent Keskin, Irfan Sarici, Hilmi Yigit, Banu Kefeli, Meryem Inan, Yu Tsukui, and Zafer Baylan from Toyota Turkey; Serdar Kamisli, Mehmet Kilic, and Timur Yerlikaya from Man Turkey. Without the support and contribution of these people, this research would not have been possible. In addition, I want to express my deepest thanks to my lovely sisters in Manchester, Ceray Ceylan and Izdihar Salim. Life would not have been easier and happier here without their presence. Finally, I am abundantly grateful to my parents and my brother for their endless love, prayer and moral support. They are the most valuable treasure I have in my life.

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ABBREVIATIONS

BP	Best Practices
HQ	Headquarter
HRM	Human Resources Management
HRD	Human Resources Development
MNC	Multinational Companies
MoNE	Ministry of National Education
Off-JT	Off-the-job Training
OJD	On-the-job Development
OJT	On-the-job Training
TMC	Toyota Motor Company
TMMT	Toyota Motor Manufacturing Turkey
VET	Vocational Education and Training

CHAPTER ONE: INTRODUCTION

Turkey has recently become an attractive country for multinational companies (MNCs), particularly international companies operating in the automotive industry. There are several factors that influence these entities to invest in Turkey. The primary factor is its strategic location serving as a bridge between Europe and Asia, which enables manufacturing firms to coordinate their operations in these continents. It also provides access to new international markets. Especially after the "Customs Union" agreement was signed between Turkey and the European Union in 1996, a free trade area was formed. As a result of reduced tariffs on exports, companies were able to operate in new markets with lower costs. At this point, it is fundamental to specify the automotive industry that is labelled as a leading exporter in Turkey. According to Deloitte's industry report (2010:7), 17.4 per cent of total revenues in Turkey come from this sector. The report indicates that 76 per cent of Turkish vehicle production was exported in 2009 while 57 per cent of motor vehicles were imported, which shows that the sector is highly international. Another factor explaining the importance of Turkey is its dynamic economic development. With a booming domestic market, Turkey is a developing economy where people gain increasing purchase power. Lastly, as compared to other developing countries, the educated young population of Turkey is an opportunity for the MNCs in the long run while the problem of an aging population is considered in many countries.

Although Turkey possesses these potential advantages, it is still underdeveloped in terms of supplying qualified intermediate employees with key skills required by MNCs. This issue is particularly critical for the automotive industry since it is highly dependent on qualified technical skills that enable companies to maintain a competitive edge. These skills can only be acquired through a well-planned vocational system. Also, the automotive industry is a dynamic market in which companies can survive as long as they can adapt to changes. The adaptation can be mainly possible with constant training and updating of employee skills. Being aware of the industry requirements and the weaknesses of the Turkish education system to meet them, the state, in collaboration with employers and trade unions, has recently taken concrete steps to revitalize the Vocational Education and Training (VET) system to solve the skill-related problems. Based on these recent developments, this study will focus on two important aspects: MNCs' internal skills development and their engagement with the Turkish VET system. In particular, similarities and differences between German and Japanese MNCs in the automotive industry regarding their integration into the Turkish context will be examined. These MNCs, with their strong skills development systems, are dominant manufacturers in the global automotive industry. Within this framework, four particular questions will be examined:

- What are the similarities and differences between Japanese and German companies operating in the automotive industry in Turkey in terms of technical skills development?
- To what extent do Japanese and German MNCs follow the VET standards in Turkey and to what extent do they transfer their firm-specific policies and practices?
- What are the strengths and challenges of the Turkish VET system?
- How do Japanese and German companies differ from each other in terms of their contribution to the national VET system and what specific factors lie behind these differences?

The dissertation is structured as follows. This introduction is followed by the literature review chapter consisting of two main parts. The first part discusses generic VET related issues in the literature and briefly introduces information on the Turkish VET system. The second part focuses on the connection between MNCs and VET. The chapter first presents the transfer issues in MNCs. Then it discusses transfer issues in German and Japanese MNCs and the characteristics of VET in their home countries. The methodology chapter introduces the rationale for the choice of the qualitative method and semi-structure interviews. The chapter also describes the nature of the case studies. The next two chapters present the case studies of a German and a Japanese firm. Chapter six indicates the answers and discussions for the research questions. Finally, the last chapter covers the concluding remarks with implications and research limitations.

CHAPTER TWO: LITERATURE REVIEW

This section consists of two major parts. The first part will introduce generic VET issues. This part will cover debates in the literature on national VET systems and the contemporary situation of the Turkish VET system. The second part will focus on MNCs' relationship with the national VET in home and host countries. This part will discuss the factors affecting the transfer of practices. It will then present important points on German and Japanese MNCs and the national VET in their home countries.

2.1. Generic VET

There is substantial debate on the definition of vocational education. In general however, it is defined as educating students for specific occupations (Bosch and Charest, 2010). Its nature is 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 (*ibid*). It is in particular the technical high schools that provide intermediate level technical workforce in line with the needs of industries. In addition, vocational training refers to company-based training and it is mostly shaped by on-the-job learning principles. Vocational education and in-firm vocational training together form a country's national VET system. It is very important to understand the aim and nature of the VET system to evaluate its importance for a particular country. Although the degree of importance varies from country to country, the VET system is important for every country. It provides different benefits for the state, society, employers, and employees. For the state, it means a remedy for youth unemployment by utilizing academically "less able" students and meeting employers' demand for the intermediate level workforce (Psacharopoulos 1997: 386-387). For employers, it serves as a filter mechanism that categorizes people according to their occupations and enables firms to recruit candidates based on their occupation-specific qualifications (Clarke and Winch, 2012). Lastly, VET is a tool to raise an individual's skill level and improve society's productivity.

2.1.1. National VET systems

Bosch and Charest (2010) state that in order to analyse VET related issues in a country, it is essential to understand the embedded nature of VET in a national context encapsulating the business system, labour market, and education system. In other words, a country's VET system is surrounded by a number of contextual elements. Therefore, it is not sufficient to conduct a one-dimensional analysis by focusing on government policies or the education system itself. Different groups have divergent interests in VET. Accordingly, Rubery and Grimshaw (2003) warn that the analysis of the current contextual situation is not enough for a deep understanding of the system but that it is crucial to examine the historic growth relations between institutions.

The VET system is often associated with the state-led regulations in a national context. However, companies are the primary target group utilizing skills produced by the system. They look for the employability, adaptability, and flexibility of skills (*ibid*). Nevertheless, vocational skills development is not easy and straightforward for the companies. They face various trade-offs. On the one hand, they look for the flexibility of skills to meet the changing demand of the market. On the other hand, they tend to shift towards standardization of qualifications. There is also debate on the concept of skill poaching. Bosch and Charest (2010) define the issue of skill poaching as the 'Achilles' heel' in vocational training and state that it discourages firms to invest in employee development. The problem here is that, on one end, companies need qualified employees to gain competitive advantage and if the national VET system is weak, the companies themselves have to invest more resources in the development of the required skills. On the other end, if companies run the risk of losing their skilled employees to competitors, they become reluctant to invest in long-term skills development and look for short-term solutions such as buying the required skills rather than making them. Finally, qualified skills mean higher costs to the companies and they need to offer higher wages to qualified employees to retain them within the organization. This can be another discouraging factor to invest in training. Also trade unions and employees raise challenge to the companies in terms of firm-specific training. Although the companies mostly prefer to provide training for firm-specific skills with the concern of skill-job match and skill poaching, employees and unions opt for training designed for broadly recognized skills that can be transferred across the industry (Culpepper, 1999).

In addition to firm-specific vocational issues, there are issues in terms of differences in the social status defined by the labour market and national education system. The VET system has a distinct stand and reputation in different countries based on their tendency towards being a more coordinated market economy (CME) or a more liberal market economy (LME) (Bosch and Charest, 2008; Grugulis, 2011). In CMEs, various options for VET graduates are offered and the VET system is developed through codetermination. Germany is a primary example of a sustainable and strong VET system (*ibid*). Japan can also be included in this category. Although the Japanese state does not involve itself directly in skills development, it supports the employers. There is a virtuous circle in CMEs such that the system supporting specialization of high-value added intermediate skills contributes to the economic success that is in return assumed to provide more job opportunities for young people. On the other hand, in LMEs, general education has a better reputation while there are several barriers against VET graduates in transmission to general education. Vocational schools tend to have a low reputation in society and send negative signals to employers since academically weaker students tend to go to vocational schools. As pointed out by Gill et al. (2000), the system leads to a shortage of qualified employees at an intermediate level. In other words, there is a vicious circle such that low levels of job opportunities and low wage levels for intermediate level employees lead to a low reputation of vocational education and a greater tendency towards general education. This situation is likely to exacerbate the problem of having a shortage of qualified employees with intermediate skills in industries producing high-value added products.

Both in LME countries and to some extent in CME countries, the system has weakened recently due to several reasons (Bosh and Charest, 2006). Particularly in the LMEs, vocational training structure is not strong enough to adapt to the on-going changes in the market. Also there has been a weak link between vocational training and general education. Due to the provision of few job opportunities, vocational training began to lose attractiveness while there was an increasing tendency towards higher education that was more likely to supply graduates for well-paid jobs. Furthermore, the decrease in union influence led to a decrease in pressure on employers to provide occupational training. Employers have become more short-term oriented due to the competitive market pressure and less willing to support training financially due to low rates of economic growth. All these factors exacerbated the poor link between a school-based vocational system and the labour market, which resulted in a shortage of qualified workers at an intermediate level.

2.1.2. VET in Turkey

The state is the main policy-making authority to shape the framework of the VET system in Turkey. The Ministry of National Education (MoNE) is legally responsible for vocational education. The first serious attempt for this issue was taken in 1986 with the enactment of Apprenticeship Law No 3308. However, the inadequacy of the system to meet demands and loose link between the employers and the system led to an amendment in the law. Therefore, in 2001, this law was turned into Vocational Education Law No. 4702 to build a wider perspective by combining vocational education with vocational training, and strengthen cooperation between schools and industry. Accordingly, firms having more than 20 employees have been legally required to provide apprenticeship programs for vocational school students. Recently, the system has been formed of three parts: school-based VET, apprenticeship training, and non-formal education and training.

Turkish VET system has been criticized due to several aspects. Lack of strategic planning by responsible authorities, system inflexibility to adapt to changing needs, and problematic transition from school to work were defined as the major weaknesses of the system (Winterton, 2006; Bulut, 2010; Bicer, 2011). Moreover, there was a lack of systematic social partnership (Barabasch and Petrick, 2012). Although the companies were the ones utilizing skills of vocational school graduates, the government was the only authority in the decision-making mechanism (Ercan, 2005). The natural result of this negative picture was a high level of unemployment among graduates and lack of provision of high-quality intermediate skills. Therefore, the problem became more obvious in the macro economy that forced the state, employers, and unions to take a collaborative step to solve the problem. Companies felt pressure to meet their demands by their own supply. At this point, in 2006, Koc Holding, the largest industrial conglomerate and the largest private sector employer in Turkey, publicly introduced the slogan “meslek lisesi memleket meselesi” (vocational education: a crucial matter for the nation). This slogan quickly rose to fame and became the driving force for change. In the same year, MoNE and Koc Holding signed a protocol on collaboration in national VET system. Accordingly, the MoNE was responsible for increasing public awareness and identifying vocational schools to be supported, whereas Koc Holding promised to provide education scholarships and internship opportunities for the students in these schools. In 2010, the protocol was expanded from Holding level to Koc Group companies. The companies operating in automotive and durable goods established their own laboratory programs in vocational schools (Koc Group, 2011). However, the MoNE signed the vocational protocol not only with Koc Group companies but also with other companies operating in the same industries. So these companies also started to establish their own laboratories and workshops in vocational schools. In other words, although the system is still not adequate to provide required skills to the companies, it is currently in a transformation era as a result of collaboration between the state and the business world to promote vocational training.

2.2. MNCs &VET

Diffusion of employment practices is an important issue for almost all MNCs. Companies tend to transfer practices that are proved to bring desirable outcomes. Such practices are defined as 'best practices' (BP) in the literature. Marchington and Wilkinson (2012: 77) defines BP paradigm as "one best way in which HRM should be delivered, and moreover that this has a positive impact on organizational performance". Accordingly, Pfeffer (1994) provides a comprehensive list of best HR practices including incentive pay, employment security, and extensive training. He suggests that implementation of these practices often leads to desirable outcomes such as a decrease in employee cost and an increase in productivity. However, the possibility of transferring BP is an important issue to be considered. As stated by Edwards and Rees (2006:92), "the diffusability of some practices is higher than that of others". They point out that absence of supportive extra-firm structures may be an obstacle for transfer of certain practices. Training is defined as one of such practices. Companies may need to engage in the national education system of the host country to maintain their training standards. At this point, it is important to analyse the system differences in the home and host country, which can be influential for the MNCs' transfer decision. Based on these discussions, this section will introduce factors influencing transfer of practices. Then the subsequent two sections will present the transfer issues in German and Japanese MNCs and the characteristics of national VET system in their home countries.

2.2.1. MNCs & Transfer of Practices

There are several approaches trying to explain the nature of transferring corporate practices to the subsidiaries and factors affecting the transfer. Edwards et al. (2007) listed these approaches as market-based, cross-national, and micro-political approach. Market-based approach argues that pressures from product, labour, and financial market affect the transfer decisions of an MNC. This approach implies that diffusion of BP in international operations enables firms to survive in the market and gain competitive advantage. However, the point missing in this approach, as defined by Edwards et al. (2007), is that MNCs cannot make effective decisions by merely considering the broad market-based pressures. They also need to consider the national context of the host country. Accordingly, the cross-national approach points out the components of local environment, and culturalism in particular. This perspective states that cultural barriers due to the contextual differences between the home- and host-country limit the transfer of practices. In such a case, either transfer is not possible or it needs to be adapted to the local cultural context. This perspective is criticized to be one-sided not considering the other factors beyond culture.

Both market-based and cross-national approaches are defined as structural perspective. This perspective is criticized since it assumes the subsidiaries as passive organisms only following the instructions of the MNCs (Edwards and Rees, 2006). It is argued that this viewpoint ignores the limitation and challenge raised by different groups within the organizations. Alternatively, micro-political approach is offered because it considers the influence of different organizational level actors on practice transfer. This approach states that macro factors are not the only determinants of the transfer but also micro factors within the organizations substantially affect the possibility and success of the transfer. Divergent interests of organizational groups within the subsidiary or parent company may limit or even block the diffusion of practices. In addition, there is another perspective known as 'institutionalism' considering environmental factors. It argues that institutions- rules, norms, and assumptions- are important components of the environment in which the MNCs operate. The relationship between firms and their institutional environment defines their structure and strategic decisions and thereby influences the MNCs' transfer decision (Ferner and Quintanilla, 1998). Accordingly, DiMaggio and Powell (1983) refer to the coercive pressures such as social and regulatory requirements that the firm needs to consider while modifying its practices.

Based on these different approaches, it can be said that there are a number of factors affecting the transfer of organizational practices. One factor is the effect of the MNC's country-of-origin. Ferner (1997) argues that MNCs are strongly embedded in the home country context and reflect the characteristics of their origin particularly in terms of corporate governance and skills development system. Accordingly, Edwards and Rees (2006) mention the dependence of practices, especially training practices, on the supportive institutions. They refer to the example of the 'dual system' in Germany and indicate that in-firm training is not independent from the national system encapsulating education institutions, unions, employer associations, and the state. These supportive institutions have several roles including administering, monitoring, and certificating the qualifications for specific skills. Without the support of these bodies, German companies might not have achieved the same results with only firm-level training. For instance, the study of Dickmann (2003) with German MNCs in the UK showed that the MNC had difficulty to introduce German style vocational training in the UK. As pointed out by Edwards and Ferner (2004), the UK does not have strong broader institutions supporting specific developmental practices. At this point, the level of contextual difference between home- and host-country affects the diffusion (Edwards et al., 2007). As in the UK case, if the host-country's national education system is not capable enough to handle the MNC's developmental practices, the transfer may not be successful. Since it is not possible to transfer the institutional context, MNCs find it hard to transfer the organizational practices in the pure form they are held in the home country. Instead, they adapt the practices to the local conditions of the subsidiary, which is defined as 'hybridization' or 'institutional isomorphism' in the literature (Bluhm, 2001). Similarly, Edwards and Ferner (2004) state that practices are not transferred to the host country in an absolute form but rather it is transmuted and adapted to the local values, norms, and conditions. In other words, MNCs may transfer the idea and concept of the practices and then modify their operations according to the local context.

Another factor influencing the transfer is the type of industry in which the MNC operates and the integration level of production among subsidiaries and the headquarter (HQ). This is also related with the nature of an MNC's global strategy (Edwards and Rees, 2006). If the MNC's operations are globally integrated and therefore interdependent, then diffusion of organizational practices makes sense since the companies want to utilize their resources effectively and enable know-how sharing within their territories. Uniformity of practices also provides objective comparison and evaluation among the subsidiaries (Lauder et al., 2008). Particularly, in terms of skill formation and development, companies may implement joint training programs for the subsidiaries to maintain coordination and reduce the skill gap between employees across the subsidiaries. On the other hand, if the company has a multi-domestic structure and the operations are completely independent across the subsidiaries, then the transfer may be limited or even unnecessary since the subsidiaries use different technologies and work organization for production. Accordingly, an MNC's attitude towards its subsidiaries affects the transfer of developmental practices (Lauder and Mehralizadeh, 2001). If the MNC only expects the subsidiary in question to follow the instructions of company headquarters and operate routine tasks, then it is highly unlikely to adopt a strategic skills development approach for this subsidiary.

The third factor influencing the transfer is the form of the establishment of a subsidiary in the host country (Edwards and Rees, 2006). If the subsidiary is formed through the acquisition of an existing organization, then it is necessary to consider previously set rules, norms, and values. The MNC management may encounter resistance from the local employees against the change of organizational practices. On the other hand, if the subsidiary is established in the form of greenfield through which the MNC in question is the first owner to define the organizational structure and set the rules, then the MNC confronts less resistance from the local employees and finds more room to diffuse practices.

Particularly in terms of the transfer of skill-based practices, Lauder and Mehralizadeh (2001) refer to two contrast hypotheses. One such hypothesis claims that there will be convergence in education, training, and labour structure of the countries in time. This convergence will eliminate contextual differences among the countries and facilitate global skill transfer. Global economic integration is addressed as the evidence for the convergence claim. It is argued that global technological development and economic interdependence of the countries make convergence inevitable. Nevertheless, this approach is criticized as being too much of a determinist. An alternative approach suggests that it is more likely to gain competitive advantage by adopting different strategies and practices. Accordingly, countries can sustain competitiveness only through unique mechanisms. An example for this argument is the German dual system that will be covered in detail in the following section. This German-specific system has been well known for years to be the driving force of growth and success in the German manufacturing industry. The argument and evidences regarding the uniqueness of the countries support the second hypothesis contending that the global economy has limited influence on national skill formation due to the embeddedness of developmental practices in country-specific context. Therefore, absolute transfer of a training system may not be possible. The subsidiary in question may not be capable enough to improve development practices transferred by the MNC. Also challenges may emerge in skills and qualification transfer due to terminology differences between home- and host country. Same terminology might correspond to different meanings and concepts in different countries. This situation creates conflict in transferring developmental practices and designing host country training system based on these practices. It may be the case with the sophisticated German VET system (Clarke and Winch, 2012). VET terminology in Germany substantially reflects the characteristics of the national context. For example, the term *Beruf* does not have an absolute equivalent in other countries, therefore there is no word corresponding to this German-specific word. Although it is translated as 'job' into English, it means more than a job. The meaning of *Beruf* covers the concepts of occupation, profession, and career. In other words, it is embedded in German labour culture (*ibid*). Therefore, without considering its equivalent in the host country context, transfer of a *Beruf*-related developmental practice may lead to conceptual conflicts in other countries.

2.2.2. German VET and MNCs

2.2.2.1. German VET

Germany is known as a pioneer example regarding the good reputation of the VET system. The system has a major role in the German education system such that 60 % of youth attends vocational schools and 75 % of VET students participate in the dual system (Hoeckel and Schwartz, 2010). It is well organized in terms of providing broadly defined occupational skills and standardised skill credentials (Buechtemann and Schupp, 1993). In other words, German VET system reflects the characteristics of the occupational labour market (OLM) such that a person in this system identifies itself with a specific occupation rather than a specific corporation. Therefore, occupational commitment overrides organizational commitment. Sako (1994) defines the situation as 'individual freedom in training contracts' such that neither the person receiving training nor the corporation offering the training have to commit to each other. However, large German companies are kept as exceptions for this discussion since they expect to retain key people after training them.

One essential characteristics of the German system is the nationally recognized occupational qualifications. A skill-based qualification is accepted like a passport of job mobility enabling employees to transfer skills across the industry. This is indeed possible with active involvement of unions and employers' association in examining and controlling the quality of education and training offered in vocational schools and companies (Dieckhoff, 2008). Social partners are not only engaged in the design and provision of the system but they also share the costs. All social partners' participation in the process of designing the content and delivery of a specific qualification makes it legitimate. Nevertheless, the most renowned item associated with Germany is the dual system. In this system, apprentices spend two days in vocational schools called *Berufsschule* by studying theoretical subjects and they spend other weekdays in a company for vocational training under the supervision of a *Meister*, a person technically and pedagogically eligible to train the apprentices (Brown et al., 2001). Effective coordination between schools and companies is required to help apprentices acquire theoretical and practical skills subsequently and thereby move from school to work smoothly (Bosch, 2010; Dieckhoff, 2008). With all these characteristics of the system, it can be said that VET system is highly embedded in German society.

Several countries want to develop their VET system in the same vein with the German system as it provides a number of advantages. First, integration of strong theoretical education and applied training enables sufficient supply of qualified intermediate employees and sustain youth employment. Such integration also facilitates skill-job match since the companies in Germany are able to offer relevant training according to their skill demand by tailoring the curriculum in vocational schools. Rather than recruiting from the external labour market, the company selects the right employee among the apprentices by evaluating their personality and qualifications from an early period, which offers an effective recruitment strategy to the firms (Bluhm, 2001). During the recruitment process, qualification certificates offered by vocational schools serve as signalling tools that provide reliable information about a specific occupation (Gatter, 1999; Gill et al., 2000). In this way, companies reduce screening costs of a qualification and initial occupational training (Lauder and Mehralizadeh, 2001). In addition to employer-specific benefits, the system brings advantages for the individuals. Skill transferability facilitates employee mobility without concern about job security. Besides, the system provides the individual an opportunity of continuous education advancement from the apprenticeship to university graduation (Becker-Ritterspach, 2005).

Despite its positive aspects, German system is not without downsides (Brown et al., 2001; Lauder et al., 2008). Rigidity of the system is perceived as an obstacle against prompt response to changing market demands. In other words, the system's adaptability is questioned since it is criticized to be too slow to adapt to industry changes. In addition, the dual system may be considered as a threat against organizational commitment or formation of a multi-functional team since it imposes a strong occupational identity. Although the system's strength is accepted in terms of initial training for the workforce, it includes weaknesses when it comes to provide further training. Such training is mostly provided to the employees in managerial positions. Additional training provided for the shop floor workforce is generally in the form instruction and update session for new machinery. The underlying reason for this may be the assumption that the labour already obtains adequate education and training during the apprenticeship period and s/he is competent enough to deal with occupational issues.

Changes in macro-environmental factors made it inevitable to question the weaknesses of the German VET system and take reactive steps. Economic stagnation and globalization have affected the system in a negative way (Brown et al., 2001). Apprenticeship became more expensive for the companies. Furthermore, the introduction of 'lean production' by Japanese companies in the 1990s enabled the delivery of high quality products with less cost. In short, cost-efficiency became as important as high quality (Haipeter et al., 2012). In order to compete with their

Japanese rivals, German manufacturing companies began to shift towards more flexible production models that require multi-functional team members with comprehensive technical skills (Finegold and Wagner, 1998). Changing skill needs of German employers required more flexibility in the structure of apprenticeship system (Thelen, 2007). This requirement might pose a threat to the German dual system. Since the firms seek 'quicker ways of acquiring qualified skills', they question the length of skill acquisition through the German apprenticeship system (Lauder et al., 2008). Besides, new technology enabled better quality and productivity with fewer skilled workforces. With the advent of high-level automation in the manufacturing industry, workers as the outcomes of the dual system became overqualified for the new operations (Jurgen et al., 2005) and since they demanded higher wages, it created an additional cost for the company (Haipeter et al., 2012). Considering the problems of the system and its inertia against rapid changes, firms began to create their own qualification mechanisms and accordingly their own in-house training programs. As a response to these recent developments, social partners broadened the concept of technical skills with the New Vocational Training Act in 2005. This new form of the VET system entailed apprentices to acquire broader technical and general skills. Vocational schools' curricula were revised with more focus on broad-based core subjects and less focus on functional specialty. Additionally, apprentices became more mobile within the firms to gain a broader perspective about the entire production system (Finegold and Wagner, 1998).

2.2.2.2. German MNCs

German companies' skills development practices are not isolated from the broader national VET system. The system is designed and improved through the participation of all social partners including the companies. Therefore, it is not possible to mention firm-specific developmental practices. The studies conducted on this field often refer to the German VET system rather than German firms' training system. Nevertheless, the firms have a strong influence on the content and delivery of the VET system (Gill et al., 2000). This situation has reflection on German MNCs' operations in other countries. In general, German MNCs tend to implement home-country model in their subsidiary. For this reason, they adopt a structured and systematic approach in skill formation of local workforce (Jurgen, 1992). There are several studies examining the transfer of developmental practices of German MNCs. For example, Bluhm's (2001) study with German subsidiaries in Poland and Czech Republic indicates that especially the large MNCs tend to preserve German pattern due to embeddedness of the German system in institutional context. The study shows that German subsidiaries have a substantial relationship with the local vocational schools. The companies provide vocational training to the apprentices as well as technical equipment to the schools. In return, the schools collaborate with the companies to adapt the curricula for the needs of the companies. Although, the companies do not impose absolute German-specific dual system on local context, they transfer the essence of the system by coordinating firm-specific training facilities and education in local vocational schools. In other words, Bluhm (2001) points out that companies apply selective transfer rather than an absolute transfer or complete adaptation to the host country. Particularly, in terms of vocational training, it seems possible to transfer specific ideas and practices without transferring the whole contextual institutions. Accordingly, Jurgen's (1992) study conducted in the plants of VW and BMW in the US provides evidence on how the companies had difficulty to meet skill demand due to the absence of strong VET system.

Although the German system is broadly accepted as an archetype for offering qualified intermediate skills, it should not be assumed to be the BP to apply in other countries. Before putting diffusion into practice, it is imperative to understand the feasibility of the host-country context to adopt the German system and the subsidiary's integration level to the entire MNC production model (Bluhm, 2001; Lorentzen and Gastrow, 2012). The cost of the developmental practices is also worthy of consideration. Both school based and in-firm training are not cheap, which may be a barrier to transfer German VET practices particularly in developing countries (Gill et al., 2000). Furthermore, recent global stagnation has led companies to question the effectiveness of German system due to its slowness in responding to the demand. Therefore, MNCs seeking for cheaper ways of production began to move their operations to developing countries. Rather than insisting on building German system in these countries, firms inclined to develop cost-efficient strategies. Nevertheless, the study of Lauder and Mehralizadeh (2001) with Daimler Chrysler and other leading MNCs showed that the firms retain the characteristics of German system and seek to establish it in oversea plants.

2.2.3. Japanese VET and MNCs

2.2.3.1. Japanese VET

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). Despite the close link between colleges and industry, there is no codetermined system at national level. Employers have direct influence on vocational training while government plays a supplementary role particularly in skills development of small firms by subsidizing their in-firm training (Koike, 1997). In other words, the state does not interfere in the system directly but formally recognizes firm-level examinations and standards for specific qualifications.

Japan reflects 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. Japanese companies 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 mold such people in accordance with Japanese working philosophy (Dore and Sako, 1989; Sako, 1994). For instance, 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*" (Lynch, 1994:130). 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).

One core element of Japanese work system is multi-functional and flexible teams (Abo, 1994). Firms' training system is organized in such a way to sustain and improve multi-functionality of the employees. Development policy and practices are based on self-reliant and self-motivated employee learning as well as information sharing at different organizational levels (Dore and Sako, 1989). In such a system, employees are expected to teach each other and work in teams. Particularly, senior and experienced workers function as teachers of their junior colleagues. As pointed out by

Koike (1997), being eligible to teach a job is perceived as valuable in Japanese work organization.

Japanese firms formulate skills development through a mixture of on-the-job training (OJT), off-the-job training (OfJT), and other different methods including small group activities (Rubery and Grimshaw, 2003). Generally, Japanese training system is associated with OJT. This training method 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, it is often conducted through formal channels in many large Japanese firms. The companies arrange planned and scheduled OJT with clear objectives and responsibilities (Dore and Sako, 1989). The basic component of OJT is the reports written by employees during the training process. These reports cover important problems, nature and cause of the problems and the solutions offered by the employees. The reports are carefully filed for newcomers and current employees in order to save accumulated know-how (Sako, 1994). OJT may bring several advantages to the companies. It enables work and training at the same time, and therefore saves training costs, time, and place (Koike, 1997). This type of training is expected to provide effectiveness in learning and knowledge transfer as it integrates theoretical knowledge with practice. In addition, Japanese MNCs opt for OJT for two reasons (Sako, 1994). It can be a good tool to help local employees be acquainted with Japanese work principles. Besides, the MNCs can maintain control on subsidiary by sending Japanese experts for initial training. However, this training form is not without challenges. Due to its invisible nature, it is difficult to measure actual cost and outcome of this type of training. If it is not planned and structured well, it may create additional costs as a result of inefficiency and defective products during the training process *(ibid).* In order to mitigate such a risk, newcomers start with simple tasks and progress through difficult ones. Also it is questionable for firms to sustain specialty and versatility at the same time through OJT (Koike, 1997). Although Japanese work organization has a reputation for its emphasis on multi-skilled employees, specialty is also important to gain advanced ability to identify and solve specific problems.

Another common training method in Japanese companies is job rotation. Employees do not deal with a specific task for a long time. They are rotated between different job sections after a certain time period. Job rotation helps employees to understand the logic behind the whole production process. This, in return, facilitates responding to unexpected problems (Sparkes and Miyake, 2000). This method gives flexibility to the firm in shifting employees to different functions. Abo (1994) states that Japanese firms attach importance to job rotation so that they plan and schedule it carefully. In this form, Abo defines job rotation as part of the 'multiple skill formation method'.

Basically skill-development of blue-collar employees in Japanese companies is based on broad and in-depth OJT (Koike, 1997). It is argued that one weakness of skills development in large Japanese companies is their overreliance on OJT and the lack of theoretical knowledge (*ibid*). However, recently OfJT form has also become prevalent for skill formation. Basically, it is known as any kind of training outside the workplace. This type of training is often based on quality control, machine maintenance, and production operation (Sparkes and Miyake, 2000). Companies provide OfJT to help workers build theoretical knowledge and develop intellectual skills so that they can comprehend why things work as they do. On the other side, OfJT is perceived to be relatively more costly than OJT. Additionally, it is argued that OfJT makes it difficult to transfer knowledge into practice since workplace and training are held separately (*ibid*). However, OfJT does not always need to be isolated from the workplace. It can be held casually within the firm. For example, when a new product is introduced, a supervisor or the product expert may arrange an informative session for the workers. This meeting may not be listed in training department's agenda and thereof may not be budgeted.

Japanese work organization also supports activities of small groups often defined as quality circle or *kaizen* (continuous improvement) (Koike, 1997). These groups regularly gather and define a problem theme. Then they work on the solution of the problem and further improvement of the practices (Dore and Sako, 1989). Small group activities are perceived as highly important for skills development because employees are expected to obtain more opportunity in small groups in terms of autonomous working and skill acquisition (Sparkes and Miyake, 2000). Although they may provide effective outcomes in the short-run, the feasibility of such a method is questionable in terms of offering proactive solutions in the long run. Besides, its effectiveness to respond promptly to specific problems is also uncertain. It may be difficult and take a long time to gather the group members, discuss the problem, and come up with a solution (Koike, 1997).

2.2.3.2. Japanese MNCs

Skills development is a highly firm-specific issue in Japan. Different firms have their own way of formulating employee skills. This situation affects the developmental practices the MNCs adopt in their over-seas operations. Accordingly, in order to maintain efficiency in over-seas operations, Japanese firms may want to transfer specific training methods such as ‘OJT’ that are perceived to produce positive outcome at home (Koike, 1997). Koike and Inoki (1990:41-42) define OJT as the largest and the most effective channel for technology transfer. They also define it as the best way to transfer skill-formation systems. However, contextual differences between the home and host country may be an obstacle against transferring skill-related practices. Moreover, technical competences are approved in terms of specific skills rather than a broad occupation (Lauglo, 1993), which may create a tension while transferring practices to a regulated system with nationally recognized occupations.

Studies conducted with Japanese MNCs in different countries show that they do not follow a uniform strategy in skills development but rather take account of the local context before developing their strategies. While practice diffusion is possible in some countries, the MNCs follow national regulations in some other countries. In other words, they do not insist on ‘Japanization’ in all over sea operations. For instance, Sako’s (1994) study with a Japanese MNC’s subsidiaries in Germany and Britain shows that the MNC modifies its developmental practices according to the local conditions. Since the German skill system depends on the coordination among social partners, the firm adapts its practices in line with national regulation. Moreover, the German system is well structured to provide qualified intermediate skills. Therefore, it is assumed that the company does not have skill-related concerns. On the other side, Britain has a lack of such a strong VET system and thereby the British labour market does not supply sufficient qualified skills. This forces the Japanese firm to transfer its developmental practices to sustain competitiveness.

CHAPTER THREE: METHODOLOGY

3.1. Research Method

This study has been conducted to analyse the role of MNCs in the Turkish VET system. The nature of research questions and ultimate goal of the study require a qualitative research method and comparative case study approach. Qualitative methods are often used to understand the current situation rather than aiming to generalize the results (Robson, 2011). This method provides deeper understanding on a specific phenomenon. Case studies are commonly preferred for qualitative studies. Yin (1994) states that case studies are particularly used to find answers for 'why' and 'how' questions, when the researcher has limited control over events, and when the study focuses on a current situation in a specific context. Yin emphasizes the importance of case studies regarding contextuality to help the researcher when it is difficult to understand a phenomenon outside its natural context. In addition, Ghauri (2004) indicates that case studies provide the opportunity for both respondents and researchers to ask many questions until they obtain satisfactory answers. Accordingly, this study aims to understand how the system works, how MNCs' attitudes are towards VET-related issues and the role they undertake within the VET system. In other words, it is interested in the depth of data rather than simply interpreting company specific numbers, figures, or the officially published VET statistics. Therefore, conducting an in-depth analysis in several organizations is more useful to examine the contextual factors and dynamic interaction between different groups. At this point, the chosen case study method provides flexibility in terms of dealing with various forms of evidence including interview, observation, and documents (Yin, 1994). Such a package method allows the researcher to examine the embedded link between interdependent systems and mechanisms in a specific context. Additionally, this method makes it possible to consider other variables in the cases that may not be addressed in the predefined research questions but contributes substantially to understanding the contemporary situation (Kaarbo and Beasley, 2002).

3.2. Sampling

The data for this study were collected through the case studies in one German and one Japanese company operating in the automotive industry in Turkey. As mentioned in the introduction chapter, German and Japanese MNCs have an international reputation in strong technical skills development and they are dominant in the automotive industry. In other words, the companies for this study were chosen through theoretical sampling. Personal and alumni networks were used to access the firms. Since questions were based on the companies' HR policies and training practices, the researcher directly contacted eligible people from HR departments who were able to answer the questions or forward the questions to the relevant people in the organization. Data collection was based on triangulation methods of observation, document analysis, and interviews (Miles and Huberman, 1994). The firms' official websites and online reports were also examined for further information. Interviews were chosen for primary data collection since the study's purpose was to explore company policies and practices on skills development rather than investigating the individual opinions of employees. Besides, interviews have several advantages as compared to questionnaires (Phellas et al., 2011). First, it provides flexibility to both the interviewer and respondents. The nature of an interview in the dialogue form enables the researcher to explain the questions in different ways rather than sticking to a certain question series. The interviewer can ask for further explanation from the respondent for clarified and elaborated answers. Interviews also provide flexibility for respondents. Rather than being limited to certain answer options, they feel free to explain their opinions and able to ask anything they did not understand clearly, which is not possible in questionnaires. Also, respondents can skip some questions or answer them without deep thinking (*ibid*). On the other hand, interviews create a natural pressure on respondents to give detailed answers. However, interviews are not without their disadvantages. The main risk of this method is that respondents can talk for a long period of time on irrelevant issues if the interviewer cannot manage to direct the interview. To prevent this risk for the current study, the researcher sent the questions to the respondents before visiting them. So they were able to overview the discussion topics and get prepared for the interview.

There are three main types of interviews to gather in-depth information: structured, semi-structured, and unstructured interviews. Structured interviews are based on pre-defined series of questions to be asked in the same way and order to all respondents. Unstructured interviews often start with an open-ended question and then the respondents are expected to talk about a specific topic while the interviewer mostly listens. Semi-structured interviews can be defined in between these two interview types. The researcher prepares a list of questions covering the topics to be discussed later. But during the interview, he can change the questions and add new ones. Accordingly, this study was based on a semi-structured interview technique since it has several advantages over others and proved more suitable for the nature of the research questions. As compared to a structured interview, it leaves more room for the researcher to design the interview, and thereby gather in-depth information to the utmost extent (Robson, 2011). This type of interview also provides flexibility to the interviewees such that they have the freedom to express their ideas without being limited by closed-ended questions. But as compared to unstructured interviews, semi-structured interviews enable the researcher to control the interview and lead the respondent to discuss relevant issues (Cohen and Crabtree, 2006).

3.3. Interview Structure

A list of questions was developed to guide the interviews (see Appendix A). The questions were prepared as a result of comprehensive investigation of the studies in the literature on MNCs, skills development in automotive industries, and the national VET system. Specific themes related to skills development and VET were selected from these studies and adapted to the interview questions for the current study. The questions were grouped according to their relevance with a certain research question. This categorization enabled a better comparison between the cases while answering the research questions. The interview questions were originally written in English. However, the interviews were held in Turkish.

For the German company case, the researcher met the education and management consultant from HR Division of the plant located in Ankara. The consultant has been working in the company for almost 30 years. He has taken an active role in implementing the dual system in Turkey. Therefore, he was the most eligible person to conduct the interview. After the meeting, the researcher also observed the skills training centre and the production lines to explore how employees work and receive training. The case study of the Japanese firm was held in Sakarya where the factory was located. Here, the researcher first had a brief meeting with personnel of the HR Development and Administration (HRD&A) Department. Then she attended a brief ‘Toyota Way’ orientation program. The morning session was ended with an observation of the production line, skills training areas, and skill assessment centre.

During the afternoon session, four interviews were held with HRD members leading practices on recruitment and HRD of operation and office employees (see Appendix B). The department's assistant manager accompanied the researcher throughout the day and attended the interviews. He also gave detailed information about the subsidiary's relation with the HQ and national VET system.

3.4. Data Analysis

Although both companies interviewed operate in the same industry in Turkey, they survive in different corporate contexts including country-of-origin, corporate strategy, and production system. Therefore, it is not easy to make analysis and comparison through coding and categorizing the codes under the same themes. Instead, the cases were introduced in separate chapters. Data collected for each case were categorized in four groups that had already been defined for the interview questions. These groups were named as recruitment, training, relationship with the HQ, and engagement with the national VET system. The results were then presented in the analysis chapter in the form of comparative answers for each research question.

CHAPTER FOUR: MAN Turkiye A.S.

Introduction

This chapter examines two main issues: training practices for operators at a German automotive firm in Turkey and the firm's interaction with the national VET system. The chapter consists of five sections. The first section will present brief information on the parent company and its subsidiary in Turkey. The subsequent two sections will introduce the HR practices regarding recruitment and training. In the recruitment section, the company's basic requirements for technical employees will be indicated. The third section will be allocated to the internal skills development issues and training-related challenges the company encounters. Then, the relationship between the subsidiary and headquarter (HQ) in terms of skills development will be examined. The last section will discuss the firm's engagement with the national system. This section will present the company's relationship with the actors and outcomes of the system. The section will also cover the respondent's evaluation of the system with provision of possible suggestions for policy makers.

4.1. Background of the German MNC and its subsidiary

The MAN Group operates in two business areas, namely commercial vehicles and power engineering. It has more than 250 years of corporate history. The Group consists of several companies producing trucks, buses, engines, and commercial vehicles. Based on different business areas, it has three sub-groups: MAN Truck and Bus, MAN Diesel and Turbo, and MAN Latin America. MAN Truck and Bus AG is located in Germany. It is the largest MAN Group company providing 'commercial vehicles and transport solutions' to the international market (MAN website, 2013). Basically it produces trucks, city and intercity buses, and coaches. In addition to its production sites in Germany, the company has plants in Austria, Poland, South Africa, India, and Turkey.

MAN Turkiye A.S. (MAN-Turkiye) was established in 1966. The company started bus and truck production in its Ankara plant in 1985. It is the first and largest bus manufacturing plant of MAN outside Germany. Currently, with its 1507 employees, the company produces 1500 buses per year and exports its products to 41 countries. In 1997, the company established a skills training center located inside the plant to meet its technical skill demand. The center started technical education within the content of ‘number 3308 Vocational Education Act’ and in accordance with the curriculum of Ministry of National Education (MoNE). The center mainly provides education in areas of motor engine technology, metal technology, and automotive painting.

4.2. Recruitment

In its operations, MAN-Turkiye needs a number of vocations including automotive technician, assembler, welder, and painter. In recruitment for these vocations, the company requires specific qualifications and vocational certificates. 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 guarantee meeting the firm’s basic requirements.

The applicants are subject to a knowledge test. Once the applicants show the required level of performance at these tests, they are invited for an interview. These interviews help the company to evaluate the candidates’ personalities, job related expectations and motivations. Then the applicants are assessed in terms of their practical skills. The skill test is conducted to evaluate a candidate’s hand skill and his familiarity with job-related tools. At the end of the assessment process, the company offers successful candidates a job.

4.3. Training

As mentioned, the firm draws recruitment on the VET system’s outcomes. However, it is aware of the system’s inadequacy to supply qualified technical skills, which led the firm to find alternative ways to meet its skill demand. For this reason, based on the suggestions of the German partners, a skills training center was established in 1997 to apply the German ‘dual system’. MAN-Turkiye is the first company in Turkey to apply and develop this system.

The center provides a three-year education and training program on automotive mechanics, assembling, welding, and painting. The company works in collaboration with the industry and commerce chambers during this process. Once the students complete secondary school education, they can apply to ‘MAN school’. The students are selected through a written exam, interview, and skill test. During these three years, they spend two days/week at Dikmen Education Center, located in Ankara, to receive theoretical education and three days/week at the firm to receive practical training. At the end of the third year, the students achieve a "semi-skilled rating" (*kalfalik*) and receive a diploma. Students holding such a diploma have the opportunity of further education at high school and university. But the majority stays in the firm. Since its establishment, the center has had 433 graduates and employed 80 % of them as engineers, masters, and specialists in key operational positions.

The dual system was not directly transferred from Germany and copied in Turkey. But, it was adapted to the firm-specific needs and Turkish context. For instance, unlike its German partner, MAN-Turkiye concentrates on the students' personal development as well as their technical skills development. The company financially supports and organizes several social and cultural activities. It provides sport courses for the students' physical development and chess courses for their mental development. The respondent stated that the activities they offer are not even included in the curriculum of vocational high schools. The company is glad for the outcomes of this long and exhaustive training program. At the end of the third year, the students become not only competent in their vocations but they become more confident in communication and decision-making. As a "reverse transfer" (Edwards and Ferner, 2004), the German partner implemented the bilateral aspect of development in the home country.

The skills training system developed in MAN-Turkiye enables the company to improve qualifications of employees in an effective way and short time period. The respondent particularly emphasized the system's strength to provide intense training to individuals with relevant and sufficient knowledge background and make them competent in a specific vocation in a short time. One other strength of the system is that it does not only focus on training of young students, which is the situation in the current national system, but also enables the training of senior employees.

MAN-Turkiye applies several methods including kaizen (continuous improvement) and suggestion boards to facilitate the employees' learning process. Nevertheless, on-the-job training (OJT) is the most essential part of skills development. The nature of works entails this type of learning. A special method called 'learning islands' help the operators to learn tasks by watching their supervisors and then doing it by themselves. 'Learning islands' are special mobile tables on which relevant tools for a specific task and its visual and written instructions are placed. When an operator needs to acquire a skill, he comes to these islands and learns with team working. This special technique enables the firm to meet skills demand in a short time period.

Classroom training is another common method for skills development. Firm employees are eligible to give such training. Besides, the firm certificates their training competency. In this way, it has an effective and efficient in-house mechanism sustaining technical training. The firm also outsources training programs from suppliers and service providers. For instance, the painting supplier can provide training support for a particular issue on painting or the company may ask for external support for a new product or service it buys.

MAN-Turkiye does not adopt a rigid specialist approach in skill issues. Since the operators work in teams, multi-skilling is more essential than specialism. Team members are expected to perform a number of related tasks. This is particularly critical for the company to sustain the production system without depending on individuals. However, it requires limited specialism for certain vocations such as welding and painting. For example, a welder is supposed to work in all welding parts of the bus production.

The firm management considers skills development from a broader perspective as a societal issue, not just the problem of the firm or the industry. Therefore, cost is not perceived as a training challenge. On the contrary, the firm reaps the benefits of skills training system in the short run by meeting its skill demand and in the long run by preparing future employees and contributing to the society development. Accordingly, contribution to the national VET system is taken as part of corporate social responsibility projects (CSR). The firm is not concerned about skill poaching. It is even motivated to share its experience and training methods with the firms in the same industry. But one of the main skill challenges is the poor knowledge background of the students coming from vocational high schools. Although the firm only employs vocational school graduates, the respondent stated that most of the graduates are not even competent in basic vocational skills. Therefore, the company has to offer intense initial training for such individuals, which creates an additional burden to the firm.

Every step of training is planned systematically. The firm clearly defines its expectations from training and explains its theoretical and practical aspects. Evaluation of training is done through observation and supervisor feedback. Although these methods are subjective, the respondent pointed out the difficulty of a numerical evaluation of the outcomes. The firm uses an internal upgrading system to promote the operators. Individuals who are eligible and willing to be the team leader take handcraft and psychometric tests.

4.4. Relationship with the HQ

All MAN subsidiaries are in constant communication with the HQ. Administrators of the training centers in these subsidiaries meet twice each year and share their experiences. But the respondent stated that this sharing is not in the form of reporting back to the HQ but rather as an information exchange. Each training center only reports to its own management since it is responsible to meet the firm-specific skill needs.

Skills training centers of all MAN subsidiaries are monitored annually in terms of the number of students and training content. The HQ observes the development practices but they do not dictate or enforce anything to the centers. In other words, there is a decentralized relationship between the parent company and its subsidiaries. This is basically due to production and product differences among the companies. Essentially, the production of truck and bus differs from each other. Truck manufacturing is based on high-level automation while bus manufacturing is relatively labor-intensive. For instance, MAN-Turkiye mainly produces buses, and therefore needs technically qualified operators with good hand skills.

4.5. Engagement with the national VET system

MAN-Turkiye is in a continuous relationship with the state through the MoNE. Written regulations are important communication channels between the state and the firm. The firm has the legal opportunity through the 'Vocational Education Law no 3308' to deliver requests and suggestions regarding the national curriculum while the state informs the firm about new regulations. It also conveys the suggestions through several channels including the Turkish Employer Association, industry chambers, and non-governmental organizations (NGOs). In other words, the firm plays an active role in shaping the content of the system.

The firm basically engages with the VET system through the 'dual model' as legally required. But it also takes the initiative to interact with the actors of the system. The respondent indicated that they have a special position in Turkey with the knowledge, method, and experience in training. They want to share this resource with the vocational high schools. Furthermore, the quality of these schools is important in the long-term since the firm's future workforce comes from them. Therefore, the firm builds a close relationship with vocational technical schools. It arranges periodic meetings with students and teachers. They visit the factory and obtain information on production systems and individual employment characteristics of an operator that the firm requires. Moreover, it provides educational documents and materials to the schools.

Nevertheless, the German subsidiary cannot directly interfere with the practices in vocational schools or take any step against the inadequacy of teachers in these schools. Laws and regulations allow only limited involvement in the system. This situation is different in the home country. The vocational schools known as *Berusschules* in Germany have close cooperation with firms. Firms can visit the schools and deliver their suggestions directly. Laws and regulations facilitate the schools to give prompt responses to the skill needs of the firms. In other words, the German system is more flexible than the Turkish system.

One outcome of the system is vocational certificates that can be assumed as benefit for the firm. However, these certificates do not guarantee the proficiency of the graduates. Thus, the certificates do not bring added value but rather pointed as a "burden" to the firm since it has to provide intense training to the newcomers regardless of their certificates. Compulsory internship can also be perceived as a positive aspect. Senior students have to do internship in industries for a period of eight months. Companies have to provide support to these students. However, the respondent indicated that many firms do not pay attention to training of the students but rather use them for routine works. But internship is taken as an important part of CSR projects of MAN-Turkiye. Therefore, it provides training seminars for the interns and follows their development closely.

The respondent pointed out the firm's concerns on several weaknesses of the VET system. First, the planning and concept created for the system is ideal on paper. But, in practice, the system is inadequate to meet the firms' skill demand. This is partially due to weak cooperation between the firms and technical schools. The respondent stated that 80 % of the schools do not match with the plans on paper. The reliability of the vocational certificates is highly questionable since they do not reflect the actual skill level. Accordingly, the graduates of these schools do not have clear career paths to follow. Besides, the policy-makers do not systematically monitor the current situation of the system. Although the state allocates resources for the VET system, absence of effective planning leads to the system inadequacy. Another problem is the slowness of the system to respond to changes. When the firm requires a change of conditions for new applications, it takes time for the state to reply. It is sometimes even difficult to find a relevant official or institution to discuss changes. This creates conflict since the nature of the private sector entails quick decision-making while the bureaucratic nature of the state does not allow this.

Conclusion

This chapter examined the internal skills development issues at MAN-Turkiye and its connection with the national system. The first section briefly introduced company information for the MAN Group and MAN-Turkiye. The next section covered the firm's approach for recruitment of operators. It was indicated that all applicants have to be the graduates of vocational technical schools. This means that they have to have related vocational certificates. So, any high school graduate does not have an employment opportunity in a technical position at this firm. The third section was based on the training practices for operators. In this section, the dual system was explained in detail and the specific features of 'MAN School' were presented. Then, in-firm training practices for the operators were introduced. The section also covered the training challenges. Accordingly, the firm does not perceive cost and skill poaching as a challenge. But the main problem is specified to be inadequacy of newcomers' in basic skills, which forces the company to offer intense and extensive initial training. The fourth section was based on the subsidiary's relationship with the HQ in terms of skills development. It was noted that MAN-Turkiye has a strong relationship with the HQ in terms of training issues. Nevertheless, the skill center is not dependent on the instructions of the HQ but rather has an autonomous structure due to its different skill needs. The last section was allocated to the firm's relationship with the national system and the respondent's evaluation of the system. The overall evidence shows that MAN-Turkiye plays an active role in developing the VET system. It has a close relationship with the state and vocational schools. The firm takes initiative and provides substantial support for education in these schools. In other words, the firm follows the German tradition of dual system in Turkish context.

CHAPTER FIVE: TOYOTA MOTOR MANUFACTURING TURKEY INC.

Introduction

This chapter examines two main issues: technical skills development of operators at a Japanese automotive firm in Turkey and the firm's interaction with the national VET system. The chapter consists of five sections. The first section will present brief information on the Japanese company and its subsidiary in Turkey. The subsequent two sections will introduce the HR practices regarding recruitment and training. In the recruitment section, the company's basic requirements for technical employees will be indicated. The third section will be allocated for the internal skills development issues and training-related challenges the company encounters. Then, the relationship between the subsidiary and headquarter (HQ) in terms of skills development will be examined. The last section will be based on the firm's engagement with the national system. This section will present the company's relationship with the actors and outcomes of the system. The section will also cover the respondents' evaluation of the system.

5.1. Background of Japanese MNC and its subsidiary

The history of Toyota goes back to 1924 when Sakichi Toyoda invented the automatic loom. Then in 1933, he founded the automobile department at Toyoda Automatic Loom Works, Ltd. In 1937, Sakichi's son, Kiichiro Toyoda established Toyota Motor Company (TMC). The company basically produces automobiles, commercial vehicles, engines, and motorcycles. Today, with its 68 manufacturing plants in 28 countries, TMC is one of the largest automobile manufacturers in the world. In 1994, the company started production in Turkey under the name of Toyota Motor Manufacturing Turkey (TMMT) located in the city of Sakarya. 90% of the subsidiary shares belong to Toyota Motor Europe NV/SA (TME) while 10 % belongs to Mitsui& Co., Ltd. TMMT mainly produces Verso and Auris automobile models. But recently, it has also started to produce the Corolla model. Manufacturing consists of four main processes: press, welding, painting, and assembly. TMMT has a special position for TMC due to its production quality and capacity of 150,000 units a year. The company is one of the production bases in Europe and one of the biggest overseas manufacturing companies. It is also one of the largest companies in Turkey. Its products are exported to more than 50 countries and the company currently has around 3000 employees working in operation and office administration.

All Toyota plants including TMMT conduct their operations and manage their employees with the ‘Toyota Way’ philosophy. The ‘Toyota Way’ is based on two main principles. One principle is continuous improvement that includes the concepts of challenge, *kaizen*, and *Genchi Genbutsu* (go and see). Accordingly, quality is assured through the spirit of challenge, continuous innovation, just-in-time production, and on-site analysis of root causes of the problems. The other principle is ‘respect for people’. It covers human development, effective team working, and respect for stakeholders. Toyota does not only concentrate on the quality of products but also continuous development of people.

5.2. Recruitment

Individuals are not employed for a specific position at TMMT but rather for the general operational tasks. It shows that the company adopts a generalist approach when recruiting operators. It does not expect the job applicants to be specialists in a certain area. Besides, specialism is not preferred, as the Toyota production system requires firm-specific skills and the beginners are trained as if they do not know anything about the job. Applicants are basically required to be at least high school graduates but they do not need to be graduates of a vocational school. Yet, 95% of the current operators are vocational school graduates. Being a vocational school graduate may offer an advantage in skills assessment processes since these graduates are more familiar with the job and operational tools. Once the individuals are employed, they are assigned to relevant divisions based on their background, motivation, and the feedback of the company’s doctor. For example, a person graduated from plastic or rubber technology division of any vocational school is likely to be assigned to automotive painting and plastic operations.

During the recruitment process, applicants do not take a special vocational knowledge test. But they take a written exam assessing their general skills. Also they take an application test in an assessment center. The test covers the simulation of real tasks at the production line. This test particularly assesses the applicants’ hand skills and their ability to measure anything in units and complete the defined task on time and without error.

5.3. Training

TMC has several training packages. The packages can be listed as Toyota Business Practices (TBP) for problem solving, Toyota Production System (TPS) for maintaining production standards, Toyota Job Instruction System (TJI) for effective teaching, *Hoshin Kanri* for strategic planning, and leader role training. Training standards of all Toyota companies are defined through these packages. Toyota Japan has the ultimate authority and control to design the packages. As a large MNC, it avoids taking risk to leave any room for changes in standards. Therefore, TMMT does not adopt an alternative approach but follows global Toyota standards.

TMMT's human resources department was structured in 2001 and its training department was structured in 2005. Within this structuring process, a training program called 'Master Plan' was developed in the same year. According to this plan, each job has different levels and specific requirements. The operation structure consists of team members (TM), team leader (TL), group leader (GL), and chief leader (CL) (see figure 1). TMs have different grades as TM1- newcomer, TM2, and TM3- potential leader. Based on their job levels, individuals receive different training modules. Once an operator is employed, he attends the orientation program and receives fundamental skills training on painting or assembling. Then he is defined as TM1. TM1 employees are primarily expected to understand the "Toyota Way" philosophy. They learn TPS to understand standard tasks in the production line. They also receive training on basic communication skills and effective teamwork. It takes two to six years to be promoted from TM1 to the position of TM2. TM2 employees receive TJI to learn effective teaching. Employees receiving TJI training hold a special card showing their teaching competence. They are expected to teach beginners and employees rotated to a new process. TM2 employees also receive training on the quality control circle and problem solving. Lastly, TM3 employees receive Toyota Business Practice (TBP) training. Such a structured development program requires all individuals to start working as TM1 employees and thus there is no mid-level recruitment in operation.

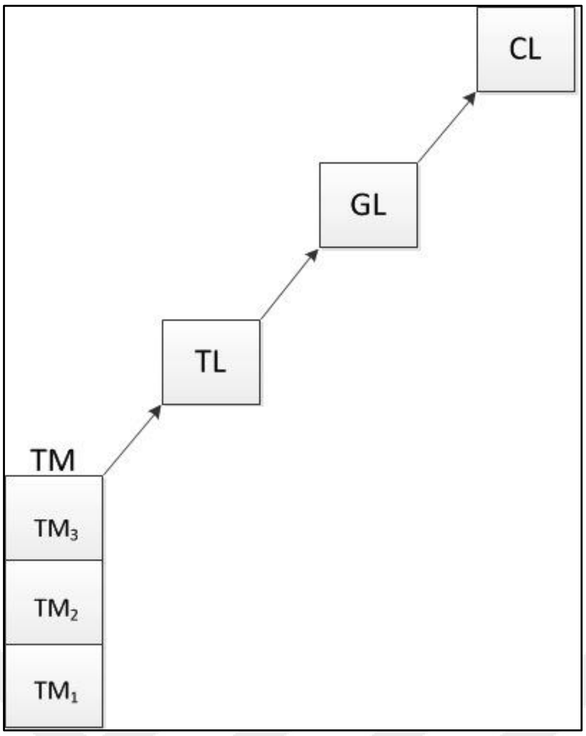

Figure 1. Operation Structure

Training is built on three dimensions in Toyota. The HRD department provides HR-based training on soft-skills. Shop floor management provides specific training on operational processes. Lastly, individuals receive specific training depending on their needs. Different needs and conditions of employee groups require different training models. Thus, skills development programs consist of the mixture of OJT and off-JT. Nevertheless, Toyota's basic training policy for operational works is based on on-the-job development (OJD). One of the respondents from the HRD department states that OJD is part of their lives at Toyota. For almost five years, the company has transformed OJT into OJD by changing 'training' to 'development'. Training is often associated with the types of learning confined to a classroom. However, development is an extensive process. Moreover, production processes constantly change at Toyota, which requires a continuous development model rather than fixed classroom training. OJD enables a substantial level of flexibility to meet the changing skill needs. Besides, the nature of operational works that require psychomotor and technical skills entails learning by doing. Within the OJD framework, the firm offers a specific training first to the supervisor or chief and then to the operators. So the leader can understand the content of training and supports operators to apply training outcomes at the workplace.

Self-development programs and classroom training support OJD. The company offers around 70 classroom modules for operators. These modules are not generally outsourced but rather designed and offered internally. Even if they have to be outsourced, they are adapted to Toyota conditions. This is the case for training modules of all TMC companies. There is a common development philosophy specific to Toyota global standards. Therefore, all Toyota companies need to provide the same training content to maintain these standards. Accordingly, any training is planned and designed according to the firm specific needs and Toyota philosophy. Even the content of any soft skill training is based on Toyota cases. For example, training on teamwork is specified clearly to define the meaning of 'team' for Toyota employees. Similarly, training on communication skills includes examples of communication problems an operator encounters in the production line. Such training adapted to Toyota's case is more effective than an outsourced training package since it increases the effectiveness of employee learning by providing real life problems and cases.

Like OJD, job rotation is an essential part of skills development in Toyota. It is embedded in the operational tasks such that neither employees nor the management perceives it as a separate concept. But, rotation is not applied in the same way for all job levels. For a TM, rotation can only be possible within a production line, while a TL or GL can also be rotated between the lines. Job rotation provides several benefits for both operators and the firm. It is an important method to maintain personal development and protect physical health of the employees. Thanks to the rotation, an operator does not have to deal with the same routine task for long hours but rather works in different processes within the same day. So he does not use the same muscles for long hours, which reduces the ergonomic problems related with muscle-skeleton disorders. Rotation means multiskilling and thus flexibility for the company. An operator rotated through several processes can work on a maximum of four processes in a day. It means that he is expected to know a minimum of four processes to manage a production line. The company's multiskilling expectation is based on '5x5' approach. That is, one employee is ideally supposed to know five processes and five employees are expected to know the same one process. So, the company has a sustainable production system without depending on individuals and suffering from absenteeism. Moreover, rotation enables production quality. If a person does the same task for long hours, he may become blind and cannot identify the errors. But rotation can minimize this error risk in production since the operators are constantly rotated between the processes.

Although training is perfectly designed and carried out, it is not without challenges. The major challenge is the applicability of skills acquired through training. There are several reasons preventing the application of newly learned skills and methods. For instance, operators have rigid goals in production. They have to produce a fixed number of cars in a limited time. Therefore, they have to prioritize the achievement of these goals and delay the application of newly acquired skills. Nevertheless, in order to enhance applicability, the HRD department considers essential skill needs while designing training modules. Operators may also have personal problems in terms of willingness and learning motivation. They want to learn the outcomes of learning before reflecting it at the workplace. However, the promotion system is designed in such a way that a TM cannot be promoted to a TL position without reflecting all required skills in TM position. In short, training challenges at TMMT are often related to individual or firm-specific reasons. But, the company does not have any concern regarding skill poaching. Employees receive intensive training and understand the corporate philosophy. Accordingly, they have long-terms relationship in Toyota, and thereby the company has a very low turnover rate.

5.4. Relationship with the HQ

There is a centralized structure between TMC and its subsidiaries. The HQ directly controls everything related to skills development. It determines core training standards, prepares training packages, and conducts competence certification. Accordingly, every developmental task including teaching and learning is standardized through TJI. All Toyota subsidiaries are supposed to implement these standards without changing the basic skill elements. Nevertheless, the subsidiaries can make small changes in standards in accordance with their national context. For instance, there is a substantial difference in vocational school quality of Japan and Turkey. One of the respondents stated that a vocational school graduate in Japan is more competent than his Turkish counterpart in terms of creating a good technical output. But the weakness of the VET system in Turkey forces TMMT to handle know-how issues internally.

5.5. Engagement with the National VET System

TMMT's official relationship with the system is limited to the apprenticeship program. Within the framework of school-industry cooperation, the company is legally required to offer training to the students of vocational high schools. During the education year, students selected by the company and National Education Directorate receive vocational training at Toyota for three days in a week. If a student performs well and becomes competent during this period, the company employs him after the apprenticeship training. In addition to the apprenticeship program, Toyota carries out several CSR projects that can be perceived as contribution to the national education system. One of such projects is the "Toyota Technical Education Project (TOYTEP)" that is developed to increase technical education levels and "Toyota awareness" in technical high schools (Toyota Turkey Website, 2013). The project consists of three parts. The first part is management training. The firm offers executive seminars on the 'Toyota Way' and Toyota management system to the executives and educators of technical high schools. Within this context, the company provided training to 125 managers and teachers of the Sakarya Technical High School (Toyotafund, n.d.). The second part of the project covers student seminars on 'Toyota Way', TPS, environment, safety, and workshop activities leaded by TMMT shop leaders, and the last part is based on laboratory support. Until recently, the company established Toyota laboratories into two technical high schools in Sakarya. It also donated 42 units of vehicles, 646 units of engines, and 410 units of transmissions to the technical schools in several cities.

Although TMMT contributes to the VET system through its CSR projects, it does not interact with the system authorities in terms of making any change in the system. TMC's global strategy is addressed as one reason of this situation. It is the know-how capacity of global Toyota that shapes fundamental skills training in the subsidiaries. Therefore, in order to meet the skill needs, TMMT has to follow the global content rather than interacting with vocational high schools. Nevertheless, as stated by one of the respondents, the national VET system also has several weaknesses that force the company to find internal solutions to meet the skill demand. The respondent basically addressed the different goals shared by the firm and vocational schools. The firm primarily focuses on technical skills development in line with firm-specific needs while the priority of the schools is employability of vocations in any firm or industry.

In other words, the schools teach a vocation while the firm requires automotive skills. For instance, vocational technical schools provide education on general vocations including carpentry and engine work. On the other side, TMMT primarily demands molding, assembling, and painting skills that are not taught at schools. Therefore, the system outcomes do not completely meet the firm's skill needs.

Conclusion

This chapter examined the internal skills development issues at TMMT and its connection with the national VET system. The first section briefly introduced the historical background and operation areas of TMC and TMMT. The second section was allocated for the recruitment approach and process at TMMT. Accordingly, due to its firm-specific skill needs, TMMT adopts a generalist approach while employing the operators. Specialism is particularly not preferred. Moreover, the company does not require the applicants to be vocational school graduates or have vocational certificates. Any high school graduate with general skills can apply for an operational position at TMMT. The third section covered different aspects of skills development at Toyota Turkey. The findings showed that OJD is the most essential instrument in development while classroom training and self-development programs play a supporting role for the effectiveness of OJD. This section also introduced the concept of job rotation and its importance for the company. The following section was based on the subsidiary's relationship with the HQ in terms of technical skills development. It was found that the firm has a centralized relationship with TMC. In other words, everything is planned and controlled by the HQ and followed by the subsidiary. The evidence showed the subsidiary cannot change the essential content of skills development since it has to maintain the global Toyota standards. But, if necessary, it can adapt the practices to the national context. The final section presented TMMT's engagement level with the national VET system. It was seen that the company has a limited relationship with the system through apprenticeship program. Besides, the company's motivation to support the system is within the framework of its CSR projects. Otherwise, it does not have any specific demand or expectation from the system regarding its skill needs. As a result, it does not play an active role towards the system to change and develop the curriculum content of vocational schools.

CHAPTER SIX: RESULTS AND DISCUSSIONS

6.1. Results

This study is mainly based on two important aspects: MNCs' internal skills development and their engagement with the Turkish VET system. Within this framework, a case study was conducted with one Japanese and one German MNC operating in the Turkish automotive industry. The results are presented in relation to the research questions outlined at the introduction chapter (see Appendix C).

1. What are the similarities and differences between Japanese and German companies operating in the Turkish automotive industry in terms of technical skills development?

In order to understand the firms' position for technical skills development and to make a better comparison, it is important to examine what types of employees they hire and what skill requirements they define. Thus, the first aspect to be compared is the firms' recruitment approach as part of the whole development process. The findings showed that the Japanese MNC adopts a generalist approach in the recruitment process. Accordingly, any high school graduate can apply for an operational position. The firm employs the operators by assessing their general skills without requiring any specific vocational certificate or job experience. In fact, it does not prefer candidates with any experience in the industry because it employs entry-level operators and provides intensive skills training from scratch to teach firm-specific tasks. This approach is in line with literature results showing that Japanese personnel practice is based on "moulding young people with no previous work experience" (Sako, 1994: 89). The German MNC, on the other hand, adopts a relatively specialist approach. Only vocational school graduates with certificates can apply for a technical position. At this point, the firm shows the characteristics of a typical German company requiring nationally recognized certificates. This situation can be explained with the home country effect. In terms of personnel development, German MNCs tend to implement the home-country's model in their subsidiaries. In other words, the technical skill issue is not isolated from the national system (Gill et al., 2000). Therefore, the companies rely on the outcome of the national VET system in employment. This is also the case in this study. The German MNC requires the applicants to be vocational school graduates with a sufficient knowledge background.

However unlike the German VET system that provides reliable vocational certificates serving as signaling tools (Gatter, 1999), the Turkish VET system is not adequate enough to produce such certificates. Therefore, the company offers an exhaustive training program for newcomers.

The second aspect for comparison is the training practices. The study results showed that the MNCs have similarities and differences in technical skills development. It emerged from the interviews that both cases demonstrate similar pattern in their approach to skills training. First, both firms provide broad-based training for technical skills. Training is systematically conducted through the ‘master plan’ in the Japanese firm while a three-year apprenticeship program is essential for skills training in the German MNC. The firms define a clear progression route for operators to motivate them to acquire new skills. However, there is a slight difference between the firms regarding the priority of initial training. Skill acquisition is primarily important for the German firm whereas the Japanese firm initially expects the beginners to understand the ‘Toyota Way’ philosophy and integrate it into operational processes. Second, OJT (doing-based learning) is the most essential learning mechanism in both companies. One slight difference is that the Japanese firm replaced OJT with OJD to emphasize the concept of continuous development rather than stable training. In addition to OJT, both companies also conduct classroom training. They often provide this training through internal resources. In addition, the German company outsources training through suppliers and service providers. Job rotation is another common skills development mechanism in both companies such that it is not even perceived as a distinct concept. The nature of the firms’ production systems requires multifunctional and flexible team working that can be primarily ensured through job rotation. Accordingly, both the German and Japanese firms expect their operators to acquire skills for team working, problem solving, and mutual teaching and learning. Particularly, the companies put emphasis on the teaching ability of the supervisors and foremen. In other words, systematic instruction is important for both companies. Teaching is certificated in the German firm while the Japanese firm standardizes teaching through TJI that is directly controlled by the HQ. Lastly, neither German nor Japanese MNC perceives skill poaching and training costs as a challenge for skills development. But the German firm refers to the newcomers’ incompetency in basic skills as a primary training challenge while the Japanese firm addresses the employees’ incapability to reflect their learning experience. At this point, it is important to note that German company employs only vocational school graduates. Moreover, 95 % of current employees of the Japanese company consist of vocational school graduates. Therefore, it can be claimed that the main reason of training challenges arising from an individual's incompetency is the weakness of the national system in producing trainable individuals with a good level of basic skills. Nevertheless, both companies meet their skill demand through their internal development system without relying on the outcomes of the VET system.

2. To what extent do Japanese and German MNCs follow the VET standards in Turkey and to what extent do they transfer their firm-specific policies and practices?

This research question is directly related to the firms' relationship with their parent companies. The cases demonstrate different pattern on this issue. It is found that the German firm has a decentralized relationship with the HQ. Such a relationship is mostly associated with the German subsidiary's low level of production integration with the parent company and other subsidiaries. Since the companies produce different products, they have different work organization and skill needs. It results in independent training strategies. Thus, the parent company monitors the training practices but does not interfere in the applications of the subsidiaries. But, though the German subsidiary has a decentralized relationship with the HQ, it follows the corporate development strategy and conducts German dual system in Turkey. Rather than completely adapting to the Turkish context, the firm pushes the national VET system to create the suitable environment for dual system. Nevertheless, the transfer is not complete. Unlike Germany, Turkey does not have supportive institutions including the state, union, and employers that perfectly collaborate to sustain an effective VET system. Hence, the idea of dual system has been transferred and then modified in line with the requirements of local context, which is known as 'hybridization' (Bluhm, 2001).

The Japanese firm, on the other hand, has a centralized relationship with the HQ. Since the parent company and all its subsidiaries around the world are connected through TPS (Toyota Production System), they have to follow the same standards and practices. Accordingly, training packages are prepared at the HQ in Japan and sent to the subsidiaries. This finding supports the statement that Japanese MNCs generally retain many aspects of training in accordance with the HQ because of the transfer of the same hardware technology (Sako, 1994). As a consequence, the HQ essentially controls all aspects of skills development in its subsidiaries.

Turning back to the answer of the research question, it can be stated that although the firms visited demonstrate a different pattern on their relationship with the parent companies, both firms prioritize corporate principles rather than following the national VET standards. The main difference is that the German firm transfers the dual system and combines it with the local context whereas the Japanese firm completely follows the HQ standards.

3. What are the strengths and challenges of the Turkish VET system?

The interviews conducted with both firms revealed that the system has no remarkable strengths that the firms can reap the benefit of. The respondent from the German firm stated that although the integration of the dual system to the local context is well planned on paper, there is a serious gap in practice. Official steps taken to revitalize the system are claimed to be superficial rather than solution-oriented. Thus, the system has several weaknesses that forces firms to find internal solutions to their skill problems. Firstly, the system is inadequate to supply qualified technical skills. Most graduates of vocational schools are not competent enough even in basic skills. Therefore, the companies have to allocate substantial resources for recruitment and training of the operators who mostly come from these schools. Besides, the system is too slow and inflexible to respond to changing demands. The nature of private sector requires constant changes but the bureaucracy-related problems in the system prevent taking prompt steps to adapt to these changes. In addition, there is no effective coordination and communication mechanism among the social partners, namely employers, unions, and the state. Due to missing social dialogue at sector and national level, the firms cannot find the right respondent to deliver their requests and suggestions. Lastly, there is no official monitoring mechanism that effectively evaluates the development of students during their apprenticeship period. Absence of such mechanisms leaves room for companies to use apprentices for routine tasks rather than training them. In short, all the problems listed above are due to the state's lack of strategic planning to maintain an effective VET system in the long term. So, it is important to understand to what extent vocational education is prioritized in the national education system. If it is a "crucial matter for the nation", as indicated in the introduction chapter, the policy makers need to pay attention for its funding, long-term planning, and outcomes like they do in higher education.

4. How do Japanese and German companies differ from each other in terms of their contribution to the national VET system? What specific factors lie behind these differences?

Two cases conducted for this study demonstrate differences in their contribution to the system. The interviews indicated that the German company does not only focus on meeting firm-specific skill demand but also providing qualified intermediate employees to the industry in Turkey. In other words, the company plays a donor role in the system more than benefiting from it. Within this scope, it takes the leading role in conducting and improving the dual system in Turkey. It offers a three-year vocational training program for the students. It also supports vocational schools by providing teaching materials and enabling teachers and students of these schools to visit the factory. The company shares its skills development methods and experiences with them. The Japanese firm, on the other side, is in limited interaction with the system authorities through the apprenticeship program. Indeed, it is a legal requirement for all firms to support the apprenticeship program. This is the basic motivation of the Japanese company to contribute to the national system. Otherwise, it primarily concentrates on its own employees' development. Nevertheless, like its German counterpart, the Japanese firm also provides teaching materials and technical equipment to the schools within the framework of its CSR projects. It organizes several seminars and workshops for the students and teachers of vocational schools. But it does not share its know-how and experience with these schools.

The second part of the question examines the reasons behind the companies' different level of contribution to the system. Two main reasons can be discussed at this point. One reason is the home country effect. Germany is well known with social partners' active involvement in the national VET system whereas skills development is highly firm-specific in Japan. Accordingly, the findings of the Turkey case show that the German company is in constant interaction with the system authorities including the MoNE and vocational schools. On the other side, the Japanese firm completely utilizes firm-specific mechanisms for the employees' skills development. The other reason is the corporate strategy that essentially shapes the companies' motivation to support the system. As aforementioned, the German firm largely contributes to the VET through the dual model. This is part of its CSR projects and in line with its corporate strategy. Therefore, it is not only interested in meeting firm-specific skill demand and developing technical skills of its employees but it also concentrates on all apprentices' vocational and personal development. By contrast, the Japanese firm primarily concentrates on maintaining global corporate standards rather than being part of the national VET system. Therefore, it does not have any substantial expectation from the system, and thereby it is not dependent on the outcomes of the system. Besides, the company evaluates the applicants' general skills, not vocational skills because it already offers intensive initial training after the recruitment process to respond to firm-specific needs. Unionism level of the companies is also connected with their corporate strategies and it may be influential in their engagement with the system. The German company has the opportunity to discuss its skill requirements and suggestions with employer associations and unions. It can also deliver these suggestions to the system's officials through industry chambers and NGOs. It obtains such an opportunity through its membership in these organizations. But the Japanese subsidiary is relatively self-enclosed at this point. It reflects the characteristics of a typical Japanese firm as it does not have any union membership, and thereby, cannot use this mechanism to influence the system. But, just as mentioned above, it does not have such a concern. It does not expect the system to respond to its company-specific demands.

Conclusion

This chapter has introduced possible answers to the research questions raised at the outset. The study has shown that both the Japanese and German MNCs allocate substantial resources for the skills development of technical employees. But the only difference interpreted from the results can be that the Japanese MNC first employs the operators and then trains them, whereas the German MNC first trains the apprentices and then employs the qualified ones. Nevertheless, it can be concluded that both companies put emphasis on continuous improvement, flexibility, and promptness to meet the changing skill needs. The second question was on the transfer of development practices. Accordingly, it is found that the firms demonstrate different patterns in terms of integrating corporate policies with national standards. The German MNC adopts a selective transfer approach by receiving the idea of the "German dual system" and adapting it to the Turkish context. But the Japanese firm adopts a holistic transfer approach since it completely follows the corporate standards in the Turkish subsidiary. The third question was on the assessment of strength and weakness of the national VET system. None of the respondents referred to any strength of the system. Besides, they addressed similar points while identifying the weaknesses. Basically, all the respondents pointed out the inadequacy of the system to meet the industry demand, its slowness to respond to the changes, and the lack of an effective communication mechanism among the social partners. These results show that although the system authorities take steps to revitalize the system, Turkey is still deficient in supplying professional intermediate skills. The last question was based on the engagement level of the firms to the VET. It was found that the firms differ from each other on this point. Within the scope of the dual system, the German firm tries to be in maximum interaction with the system actors. In other words, it adopts an outward-oriented approach in terms of skills development. On the other hand, the Japanese firm's priority is to keep up with global corporate standards. It is in limited interaction with the system primarily to fulfill its legal obligation for apprenticeship program. In short, it can be stated the Japanese firm is not open to external actors, but rather it adopts an inward-oriented approach. The last question covered the reasons for different engagement levels. Accordingly, two main factors, namely, home-country effect and corporate strategy, were discussed to explain why the firms differ in supporting the system. Overall results may lead to the interpretation that in terms of skills development, the Japanese MNC acts like a typical Japanese firm and the German MNC acts like a typical German firm in the Turkish context.

CHAPTER SEVEN: CONCLUDING REMARKS

Internationalization enables companies to gain global identities and, thereby it may no longer be reasonable to define a company simply with characteristics of its country of origin. However, it is still apparent that MNCs tend to carry their national identity to the host country. They perceive the practices developed in the home country as the "best practices" (BP) and assume that these practices bring the same desirable outcomes when applied in the host country, particularly if this country is a developing country. But, as two cases explored in this dissertation illustrated, the MNCs follow different paths to transfer the BP, specifically the transfer of developmental practices. Contextual embeddedness is an important factor influencing the MNCs' transfer decisions. This issue can be essentially linked to two abstract labor market models, OLM and ILM, on skilling the labor force (Rubery and Grimshaw, 2003). If a firm is highly embedded in the home country context, as the case in OLM countries, it tends to create the same institutional environment in the host country to make the transfer process more effective. On the other hand, if a firm is embedded in a firm-specific context, as the case in ILM countries, it tends to create a similar organizational environment in the subsidiary. The difference among MNCs regarding embeddedness level into the home-country context also shapes the companies' decision to empower their subsidiaries. An MNC that is highly embedded in its country of origin is more likely to delegate authority to its subsidiaries to create the desired environment in the local context. In other words, contextual difference between the home and host country forces MNCs to empower the subsidiaries in decision-making. But an MNC with low level of dependence in the home country tends to centralize decision-making and leaves only narrow leeway for its subsidiaries to make changes. Integration of the production systems is also influential in empowerment of the subsidiary. If the HQ shares the same production system with its subsidiaries, then it tends to control the operations and management of the subsidiaries, which is assumed to enable effective resource utilization and know-how sharing. On the other side, a low level of production integration means that the subsidiaries of an HQ produce different products, which leads to a decentralized relationship. Another important point demonstrated in this study is that BP transfer does not always need to be in a flow from home country to host country. If a practice developed in the host country is proved to bring positive outcomes, as illustrated by the case of MAN, it is likely to be reversely transferred to the home country. In other words, there is no uniform way of transferring the BP. Lastly, based on the results of this study, it can be contended that disregarding the difference in their country of origin, MNCs operating in the automotive industry, in which production techniques across the world have converged, adopt a similar approach in terms of internal skills development. Therefore, a convergence in skills development is not an unexpected situation as the quality is the top priority in the automotive industry and basically it can be maintained through improved technical skills.

7.1. Implications

This study has shown several important points including the potential contribution of MNCs to a national VET system, the dominance of host country effects in this contribution, and the need for Turkish government to adopt a strategic VET approach. Therefore, it can serve as a guide for different parties including employers and policy makers in Turkey and other developing countries in similar conditions. The findings may be particularly helpful to assess the current Turkish VET system, its role in attracting MNCs, and its development with the contribution of MNCs. Employers can utilize the results of the study for their long-term planning on creating qualified employee supply since vocational schools are likely to be one of the sources supplying intermediate skills. The quality of education in these schools will be important for manufacturing firms while planning their employment policies and practices. Actors of the VET system can also benefit from the study to detect the weaknesses of the system and take constructive steps. At this point, several suggestions that emerged through the interviews may be helpful for policy makers. It is therefore essential to ensure a wider involvement of social partners to achieve the intended goals. For this, policy makers need to consider the requests and suggestions of employers that are the primary users of the VET outcomes. More importantly, bureaucratic obstacles need to be removed to implement these suggestions in practice. In other words, the state officials need to recognize the nature of the private sector that requires flexibility and quick results. Correspondingly, they need to improve the system to increase its relevance and respond to the changing demands of the industry. However, the essential step to consider these suggestions is to create an institution only concentrating on the improvement of the VET system and directly communicating with the firms and vocational schools. Lastly, researchers can also find this study useful since it provides a perspective on MNCs' approach towards the national VET system. The study can be accepted as an initial step in exploring the role of MNCs in the Turkish VET system. So, the results of this study may provide some templates for further comparative studies in this field.

7.2. Limitations and Suggestions

In spite of all its findings, this study has several limitations. First, the study was conducted with only two MNCs. Although the results were in line with the findings of other published studies, it may not be possible to make generalization with these results. The study needs to be extended to other MNCs operating in the same industry to understand better the contribution of MNCs to the national system. Similarly, this study is limited to one industry and one host country context. Therefore, it is not feasible to generalize the results. Future studies can be extended to the same MNCs' subsidiaries in different host countries to evaluate better whether the results are unique to Turkey case or they are also valid in different local contexts. In addition, the research was conducted within a limited time period and with a limited number of respondents. Such a situation was an obstacle against gathering deeper information. For instance, respondents from both companies stated that poaching is not a problem. But the researcher could not obtain further information for this issue since the interviews were only conducted with management personnel. Employees' opinions were not explored. So the results cannot be perceived as sufficient to draw extensive conclusion. Further studies can conduct interviews with more people from both management and lower levels of labour to obtain a holistic perspective. Lastly, this study explored the issue of technical skills development from the MNCs' perspective. Besides, it was confided to the German and Japanese MNC. Future studies are suggested to include other MNCs, their suppliers, and the system's official actors, including vocational schools and MoNE, to understand the big VET picture.

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APPENDICES

APPENDIX A: INTERVIEW QUESTIONS
IN-FIRM SKILLS DEVELOPMENT

Recruitment

- What are the types of employees you hire/employ? (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?)
- What are the skill requirements for these workers? How do you assess their qualifications? What are the important criteria for selection?

Training

- What are the types of training and training procedures? Who qualifies? (Which employees take the training?)
- How do you organize training?
    - Do you offer regular job rotation? (Why/not?) Which employees are candidates for job rotation?
    - How important is OJT in technical skills development? Why do you think so?
    - Do you provide other forms of training such as Off-JT? If so, what types of institutions do you use to implement Off-JT for technical employees?
- What are the training challenges?
- How do you evaluate the outcome of training? Is there an obligatory examination mechanism assessing the outcome of training?
- What kinds of tests do you use to evaluate and upgrade skills? Why?
- How do shop-floor employees become aware and equipped regarding the issues of problem solving, self-inspection of quality, and improvement?

Relations with HQ

- (How) does training differ from home country practices? How much freedom is there to deviate from home country practices? What factors may be the reason for this difference?
- Do you have to negotiate the adaptations? If so, can you say something about the process? What kind of factors did you provide to justify the adaptations?
- Is production organized differently (than in the home country) because of skill issues? Does skill determine investment decisions (e.g. certain types of production)?

  (Do the products produced in Turkey differ from those produced in home country? How does this situation affect the training and process of skill formation on the shop floor?)

RELATIONSHIP WITH TURKISH VOCATIONAL EDUCATION SYSTEM

- What do you think about the Turkish VET system? What does the system produce?
- What strength does it have? What challenges do you think it creates to the company in skills development?
- To what extent is there cooperation with (1) the Turkish VET system, (2) suppliers, (3) competitors?
- What kind of cooperation exists with vocational schools?
- What motivates you to support/engage in national system?
- Is there a legal framework/formal communication channel enabling you to negotiate the occupational content and vocational education curriculum with the state?
- What do you think about the weaknesses of the system? What is missing? What should be improved?

APPENDIX B: INTERVIEW SCHEDULE

Date	Company	Respondent	Interview Content
01.07.2013	MAN Turkiye	Education&Management Consultant	- Recruitment - HR training& Skills development - Relationship with HQ - Engagement with the national VET system
08.07.2013	TMMT	OD&Management Recruitment Leader	- Recruitment
08.07.2013	TMMT	HRD-Planning&Office Development Leader	- HR training& Skills development
08.07.2013	TMMT	HRD-Operation Development Leader	- HR training& Skills development
08.07.2013	TMMT	HRD Assistant Manager	- Recruitment - HR training& Skills development - Relationship with HQ - Engagement with the national VET system

APPENDIX C: COMPARATIVE TABLE FOR RESEARCH QUESTIONS

	German Subsidiary	**Japanese Subsidiary**
Recruitment	Specialist approach	Generalist approach
HRD	- Three-year vocational training - OJT& classroom training - Job rotation - Systematic teaching	- Master plan - OJD& classroom training - Job rotation - Systematic teaching (TJI)
Relationship with HQ	- Decentralized relationship - Selective transfer approach	- Centralized relationship - Holistic transfer approach
Engagement with VET	- Outward-oriented approach - Constant interaction with system actors - Leading role in the improvement of the system	- Inward-oriented approach - Limited interaction