

## ONZIEME RENCONTRE INTERNATIONALE DU GERPISA ELEVENTH GERPISA INTERNATIONAL COLLOQUIUM

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Company Actors on the Look Out for New Compromises  
Developing GERPISA's New Analytical Schema

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### **MORE GLOBAL THAN EVER, AS LOCAL AS ALWAYS: INTERNATIONALIZATION AND SHOP-FLOOR TRANSFORMATION AT OYAK-RENAULT AND TOFAS-FIAT IN TURKEY<sup>1</sup>**

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Based on original fieldwork carried on at Oyak-Renault and Tofas-Fiat plants in Turkey by the author as part of a dissertation project, this paper focuses on changing work and production organization and new workplace practices at the plant level. It also addresses the dynamics that link the process of work reorganization; internationalization strategies of the multinational partners; the rather peculiar and, at times, uneasy process of international integration of joint ventures; and the domestic macroeconomic and employment relations context.

The results are also briefly discussed in comparison to the electronics sector, drawing on original fieldwork carried on for the same project by the author in two of the largest electronics firms in Turkey, both of which are indigenously owned and producing both own brands and under license predominately for European markets. A comparison between auto and electronics firms highlights the importance of (1) the mode of international integration and the ownership structure of the plants including the degree of independence in pursuing product policies and market strategies and (2) the nature of the product market and especially the degree of product market stability in analyzing the dynamics between work reorganization and internationalization processes.

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<sup>1</sup> The findings presented in this paper are primarily based on original fieldwork carried on by the author at two auto and two electronics plants as part of a dissertation project. This paper focuses on auto plants and only a very brief discussion and comparative analysis on electronics plants is provided at the end of the paper in Appendix 2.

The field research was conducted during May-November 2002 and 5-6 weeks were spent at each plant. The data were collected mainly through the following methods: extensive shop-floor access and direct observations of the production process and work practices; observations of various meetings, such as Kaizen and Quality Circle workshops and presentations, training sessions, and recruitment processes; in-depth semi-structured interviews with managers, team leaders, engineers, workers, and workplace union representatives; collecting relevant company documents; and at the Oyak-Renault plant working on the line in final assembly for a week in three different teams. A follow-up visit to the plants is scheduled for May-June, 2003 to further investigate some of the issues remained underdeveloped in this paper. Thus, this paper should be read as a preliminary analysis of initial findings.

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As put in the “International Development” section of *Renault in Focus*, Turkey is providing a springboard for expansion into Eastern Europe, the Middle East, the Gulf States, and the Maghreb. In fact, Turkey has become an increasingly integrated site in auto firms internationalization strategies. Especially since the mid-1990s, the two oldest joint ventures in Turkey, TOFAS-Fiat and OYAK-Renault, producing outdated models almost exclusively for the domestic market up until then, have pushed their export drive further. Since the late 1990s, within the “World Car” or “platform” strategies of both Fiat and Renault, these sites have been transformed into production poles of new models (producing Palio and Siena versions within “178 project” of Fiat and Clio Sedan and Megan Wagon versions of Clio and Megan family of Renault). Later certain versions have exclusively been produced in these plants, such as *Megan Wagon* of Renault and *Doblo* of Fiat, around 90% of which have been exported. These plants have also become main CKD, power train, and components centers.

This intensified integration into Fiat and Renault’s internationalization strategies has also taken place within the context of, on the one hand, export-oriented growth policies of the Turkish state, associated with Turkey’s accession into the European Customs Union in 1996, and on the other, dramatic contraction of the domestic market following successive economic and financial crisis since 1994 including exchange rate devaluation, high inflation, high unemployment, declining real wages and worsening income inequality. These plants have found themselves in an inescapable international competition as an ever contracting domestic market has also been crowded by new producers and imports. Thus, a reconstitution of these localized automobile sites, internationally *and* internally, has become almost unavoidable for survival.

Parallel to, and largely as a reflection of, these changes, both plants have undergone a significant transformation of their work organization based on some form of a teamwork and introduced new production practices based, at least theoretically, on more worker involvement, such as Kaizen, quality circles, TPM, SPC, and suggestion systems. They both followed the blueprint of their multinational partners and modeled their new work organization after the *Integrated Factory* of Fiat and the UET (*Unite Elementaire de Travail*) formation of Renault. Yet, this transformation process has taken place within a rather different macroeconomic and employment relations context as outlined above.

The field study shows that work reorganization and new production practices, mainly pursued as a way to streamline with other subsidiaries and improve product and process quality and achieve higher productivity largely due to integration into “world car” or “platform” strategies, have yielded impressive results. However, in contrast to arguments by some scholars on “high performance work organization”, this improved performance does not seem to be based on genuine and comprehensive participation by broadly-skilled and involved workers.

Despite certain differences, the new work organization in both auto plants fits overall into a model of “Mediterranean Lean Production”, yet with two important qualifications: (1) despite the rhetoric of participation, it is *de facto* based on even *lower* front-line worker involvement and depends more on the participation of team leaders and a handful of highly skilled workers not only in quality and productivity improvement efforts but also in managing employment relations, (2) a high level of shopfloor and working-time flexibility and insecurity of employment sets the general employment relations context largely due to a compliant trade unionism, macroeconomic instability and high unemployment.

Thus although one major consequence of increasing integration of these plants within multinational partners’ internationalization strategies is a “transfer” of work organization and production practices, these “transformed” plants continue to have local bearings.

The research results also suggest that the new geographical division of labor within the companies and the nature of the plants’ competitive insertion in international and regional markets play a significant role in the nature of the work organization and the application of new production practices. Although, there is a clear tendency towards increased involvement and direct responsibility of engineering and selective technical personnel in projects such as re-styling or adopting vehicles and components to local market needs, and such personnel even are increasingly participating in global product development teams, genuine worker participation in product and process quality improvement remains very limited. High product quality can still be reached through a combination of utilization of relatively cheap labor for quality inspection purposes and a heavy reliance on technical staff.

Another important factor contributing to this form of work organization is the fact that such highly internationally integrated production strategies arguably leave less room for improvement input by workers as they require higher control on and standardization of industrial processes by the multinational partner. This increased power of the multinational partners can also lead to conflicts with the local partner in other areas such as product and market strategies and intra-firm trade flows. And when such tensions reach critical points they introduce additional instabilities and unpredictability to the production process and test the managerial and organizational commitment to new workplace practices.