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CASE STUDY

Turkey

Turkish Trailblazer: Boosting Rural Areas through Business Investment

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Sector • Consumer Products

Enterprise Class • Large Domestic Company



Executive Summary

This study centers on a clothing business run by a female entrepreneur in Turkey. The entrepreneur, Aynur Bektaş, achieved success by breaking from conventional business practices and investing in poorer parts of Turkey. The study discusses her business and investment strategies—strategies that have boosted her company and the economic and social welfare of rural areas of Turkey.

To achieve success, Ms. Bektaş and her company, Hey Textile, weaved together the clothing industry with an innovative and forward thinking business plan.

Ms. Bektaş started her clothing business at the age of 38, after a successful career in banking. She opened her first production unit in Istanbul, like many others in the business, and within 10 years Hey Textile, also known as Hey Tekstil, had become one of the largest businesses in Turkey's clothing industry.

On the way to business success, however, Ms. Bektaş encountered several obstacles including intense competition, an unskilled workforce in certain parts of Turkey, and elimination of global trade barriers. In response to global competition, Ms. Bektaş shifted her production units to Turkey's poorer regions, where labor costs are lower and government incentives helped spark regional development. Given the lack of skilled labor in the area, Hey Textile also financed training programs (later funded by Turkey's State Employment Agency). With the help of government incentives, Ms. Bektaş opened four new production units in impoverished parts of Turkey in six years.

Hey Textile's investment has improved the quality of life in impoverished parts of Turkey. Income generated by Hey Textile jobs, for instance, provided money that could then be spent in local shops and on local services. The jobs also empowered women in rural Turkey, and provided them with income and independence.

This case study examines how Ms. Bektaş' clothing company helped spark this socio-economic transformation. The study includes background information on the Turkish economy and clothing industry, Ms. Bektaş' distinctive investment strategies, the government's role as a facilitator for these strategies, her business model and challenges overcome, strategic partnerships, lessons learned, and business and socio-economic results.

Context

Turkey bridges two continents, its borders stretch from southeastern Europe to southwestern Asia. The country has a population of 76 million, the majority of whom are Muslim, and a total land area of 814 thousand square kilometers.¹

Turkey has one of the world's largest economies, with a gross domestic product of roughly US\$ 657 billion (as of 2007).² Agriculture contributes about 10 percent to the nation's GDP,

¹ CIA, World Factbook -Turkey, available at www.cia.gov [Nov. 10, 2009]

² World Bank, Country Brief (2009): Turkey, available at Country Brief, www.worldbank.org, [Nov. 10, 2009]



while industry accounts for 30 percent and services 60 percent.³

Due to a mixture of structural reforms that have been in place since the mid-1980s, the Turkish economy has managed to maintain a high average growth rate in recent years. Per capita GNI based on Purchasing Power Parity has increased more than fourfold, rising from US\$ 3,040 to US\$ 12,810 between 1985 and 2007, and inflation fell to single-digit numbers from the 100 percent levels of the 1990s.⁴

Even though the country's strong economic performance has raised average welfare, the number of people living below the national poverty line is still 27 percent.⁵ In addition, those living in remote rural areas and in the shanty towns of large cities have been especially hard-hit by poverty. Turkey also has large socio-economic disparities that have existed for decades.⁶

Table 1. Selected socio-economic indicators by geographical regions in Turkey, year 2000

Region	GDP per capita (billion TL)	Percentage share in GDP	Literacy rate (percent)	Infant mortality rate (percent)	Urbanization rate (percent)	Per capita electric consumption (Mwh)	Share in total bank deposits (percent)
Marmara	2,657	37.0	92.4	3.9	79.1	2.2	52.3
Aegean	2,130	15.3	89.8	4.0	61.5	1.8	9.9
Central	1,820	17.0	90.3	4.2	69.3	1.1	24.6
Mediterranean	1,726	12.1	88.2	3.7	59.8	1.5	6.5
Black Sea	1,396	9.5	85.8	4.2	49.0	1.0	4.2
Southeastern	954	5.1	73.2	4.8	62.7	0.9	1.2
Eastern	841	4.1	77.7	5.3	53.0	0.6	1.3

Source: Dincer et.al. (2003)

³ World Bank, World Development Indicators, [Sept.2, 2009]

⁴ *ibid.*

⁵ *ibid.*

⁶ Due to lack of data at the regional level, indicators for the year 2000 are used. Since socio-economic conditions have remained largely the same, the figures provide a reasonable approximation of current conditions.



These disparities are also self-perpetuating due to a number of issues including regional differences in infrastructure and availability of skilled workers. As a result, cities with solid infrastructure and a large pool of skilled labor—particularly Istanbul, İzmir and Ankara—attract the lion’s share of investment. According a 2008 survey by the Istanbul Chamber of Industry, two-thirds of the country’s top 500 industrial firms are located in these three biggest cities. Istanbul alone hosts 227 of the top 500 industrial firms.⁷

To offset such regional differences, the Turkish government enacted the ‘Employment Encouragement in the Underdeveloped Regions’ law in 2004. In 36 provinces with an average per capita income less than US\$ 1,500 (using 2001 data), the measure provides the following incentives:

- Exemption from 80 percent to 100 percent of employer’s share of income tax and social insurance contributions (calculated by the minimum wage for each additional employee)
- Provision of land by the Turkish Treasury or local governments at reasonable rates so long as land is unavailable in organized industrial zones

For investors, the income tax exemption has meant savings of about 20 percent in labor costs at minimum wage levels, and the land allocation has considerably reduced investors’ initial capital requirement. The government also assumes a significant portion of the risks involved in investing in these regions.

Even so, other national policies designed to create strong economic performance in Turkey have not succeeded in creating employment opportunities to match. The unemployment rate remained stuck at about 10 percent in the 2000s, and unemployment has replaced inflation as the number one economic concern in recent public opinion polls.

Unemployment among youth is also a large problem in the country. As recently as 2006, 18.7 percent of those aged 15-24 were unemployed in the country. Youth unemployment is especially problematic in Turkey, since this age group makes up almost 18 percent of the country’s total population.⁸

Gender is another area of economic inequality in Turkey. Although women have had equal rights since the early years of the Turkish Republic, gender inequalities still define much of women’s status and living conditions. For instance, women in Turkey participate in economic activity at a lower rate than men, particularly in rural areas, and earn about three times less. Traditionally, access to educational opportunities for women is also restricted, and as a result women have lower rates of literacy and school enrollment. They are also underrepresented in politics and business (Table 2).

⁷ Istanbul Chamber of Industry, Turkey’s top 500 industrial enterprises, <http://www.iso.org.tr>

⁸ United Nations Development Program, Human development Report 2007/2008, Fighting climate change: Human solidarity in a divided world, New York UNDP, 2007



Table 2. Selected gender related indicators of Turkey

Economic activity rate (female rate as percent of male rate, aged 15 and older) in 2005	36
Ratio of estimated female to male earned income	0.35
Adult literacy rate (ratio of female rate to male rate), 2005	0.84
Combined gross enrollment ratio for primary, secondary and tertiary education, female (percent), 2005	64
Combined gross enrollment ratio for primary, secondary and tertiary education, male (percent), 2005	73
Seats in parliament (percent held by women)	4.4
Legislators, senior officials and managers (percent female) 1999-2005	7
Professional and technical workers (percent female), 1994-2005	32

Source: Human Development Report 2007/2008

TURKISH CLOTHING INDUSTRY

Clothing is one of the Turkish economy's main drivers in terms of industrial production, employment and export earnings. Nearly 8 percent of Turkey's manufacturing industry is in the clothing sector and the industry contributes a 4.05 percent share of Turkey's total industrial output. Due to the labor-intensive nature of production, the sector's share of industrial employment is also three times higher than its contribution to manufacturing output (Table 3).

Table 3. Clothing Industry in Turkish Economy

Share in total manufacturing industry added value (percent) (2004)	7.79
Share in total manufacturing industry output (percent) (2006)	4.05
Share in total manufacturing industry employment (percent) (2006)	12.94
Share in total manufacturing industry import (percent) (2007)	1.01
Share in total manufacturing industry export (percent) (2007)	11.68

Source: Dogruel and Dogruel, p.141

Raw material and labor are the two main components of the clothing industry. Raw material, particularly knitted or woven fabrics, and ancillary materials together make up about 56 percent of the total cost of production.⁹ Since raw material and labor are generated largely from the local market (see Table 3), the clothing industry has a sizeable impact on the development of the Turkish textile industry and its contribution to the economy as a whole is greater than the numbers alone show.

In the mid-1980s, Turkey embarked down a path paved with bold export-oriented economic policies. Turkish clothing companies used proximity to Europe and low labor costs to their advantage, entering European markets with great success. The Customs Union eliminated quotas and tariffs with the European Union in 1995, providing further access to the market

⁹ Istanbul Ticaret Odası, Hazır Giyim sektörü ve Çin mallarıyla rekabet gücü [Clothing industry and competitiveness with China], ITO Publications, No. 15, 2007, p.32



and strengthening Turkish exporters' position in Europe.

However, as the new millennium approached, the horizon turned gloomy for Turkish textile and clothing exporters. Beneficial quotas on textile and clothing established by the Uruguay Round¹⁰, ended in early 2005. With the elimination of these quotas, Turkish exporters found themselves in direct competition with China and other Asian countries with low labor costs.

Currently, the clothing industry employs about 1.5 million people in Turkey. The industry is labor-intensive, with labor costs consisting of about 30 percent of total expenses.¹¹ Producers are under heavy pressure to keep labor costs low to remain competitive, and even though net wages are relatively low, many companies consider taxes and social security payments a burden that makes them unable to compete. Therefore, tax evasion through irregular employment is very common in the sector. Officials estimate that more than half of the sector's workforce is employed outside the social security system.¹² The industry is also heavily dependent upon female labor because of the cost advantage.

Turkey's clothing industry is also export-oriented, with half of the products sent abroad.¹³ According to the World Trade Organization figures, Turkey is the world's fourth-largest clothing and apparel products provider.¹⁴ About 80 percent of total export products are sent to the United States and to EU countries.¹⁵ While a few of the industry's producers export under their own brand names, most operate as outsourced production units for worldwide brands.

The number of firms in the sector is estimated at 11,000, with the vast majority of them in Istanbul. The bulk of the remaining firms are located in İzmir, Adana, Bursa and Aydın.¹⁶

Hey Textile's Role¹⁷

Aynur Bektaş, founder of Hey Textile, was born in 1951 in Çerkeş in Central Anatolia. At the age of 13 she went to live with her aunt in Ankara, Turkey's capital city, to study at a better high school. She continued her education at the Ankara Academy of Economics and Commercial Science, and after graduating, found work in a bank. She climbed the ladder very quickly, and became a branch manager at the age of 27. While working for the bank, she met and married her second husband, Süreyya Bektaş.

At the age of 38, after her successful career in banking, she decided to start her own business. At first she considered starting a car dealership, but she did not have enough capital. With the help of a friend's husband experienced in the clothing industry, she then turned to clothing.

¹⁰ Uruguay Round was the 8th round of multilateral trade negotiations conducted in the framework of GATT (General Agreement on Tariffs and Trade) and transformed GATT into World Trade Organisation (WTO).

¹¹ Ibid., p.32

¹² Doğruel Fatma and Suut Doğruel, Türkiye Sanayiine Sektörel Bakış [Outlook of Turkish Industrial Sectors], TUSIAD Publications, Istanbul, 2008, p.137

¹³ Ibid., p.133

¹⁴ Ibid. 7, p.37

¹⁵ Ibid. 7, p.37

¹⁶ Ibid. 9, p. 138

¹⁷ Unless otherwise mentioned all information about Hey Textile is based on interviews with the entrepreneur Aynur Bektaş



She opened her first sewing factory in 1992 with US\$ 75,000 in personal savings. The production facility was in a small, rented space of 500 square meters in an Istanbul commercial building. She began with three employees sewing product samples she could show to representatives of international brands in Turkey. After six months of marketing her products to potential customers, she landed her first order.

“My husband’s brother was working at a company which sells organic products,” Ms. Bektaş said. “I offered to sell [them] a non-dyed natural t-shirt. His boss [liked] the product. This was my first turning point. In 1992, I was even selling t-shirts to Greenpeace. We earned a lot of money.”¹⁸

The business then grew rapidly. Her husband left his banking job to join the company’s management team and guide its financial development. (The Bektaş family has two sons, as well, who have joined the family business.)

In the early 2000s, Ms. Bektaş realized that Hey Textile’s long-term success depended on offering more value-added products, given that Turkey’s cost advantage was threatened by low-cost competition in such countries as Bangladesh, China, and Vietnam. As a result, she opened a London design office in 2002, which now employs 15 people. In the past, customers came to her with their own designs to sew, but many now visit the London office seeking company designs.

Today the company is a well-established, successful export operation, continuing to grow its customer base and production capacity. Hey Textile has an annual profit of US\$ 500 million dollars, employs approximately 4,000 workers and sells clothes around the world. According to the Istanbul Chamber of Industry, in 2009 the company ranked 237th amongst the Top 500 Industrial Firms. In the clothing industry, the company is currently in the top 20 in terms of employment, and in the top 50 in terms of export volume in Turkey.

Capitalizing on her success, Ms. Bektaş has expanded into new areas. Presently, Hey Textile companies operate in four different sectors: textiles, tourism, foreign trade and technology.

Furthermore, Ms. Bektaş is active in civic affairs. From 2005 to 2007, she was president of the Turkish Clothing Manufacturers’ Association. Currently, she is president of the Women Entrepreneurs Board of the Union of Chambers and Commodity Exchanges of Turkey.

Business Model

Hey Textile manufactures clothes made of cotton (shirts, slacks, dresses etc.) for international brands including Levi’s, Esprit, H&M, Mango, Best Seller and Tesco. Clients can use their own designs or choose models created by Hey Textile. The company buys domestic raw material—basically knitted or woven fabric and ancillary materials—and transforms them into clothes in its production facilities. Then, finished goods are sold to customers for a previously agreed upon price. As a private enterprise, Hey Textile depends on its profits for its financing and for business survival. The company also constantly seeks ways to reduce costs to remain competitive.

¹⁸ Source: Interview with Aynur Bektaş (September 2009)



Clothing firms operate in a very competitive market. The elimination of trade barriers and the arrival of new players such as Southeast Asian nations have stiffened competition. World production has also shifted towards countries with cost advantages. At the same time, countries attracting new investment have benefitted the most through jobs created and other spillover effects. Such competition has also inspired companies to search for new ways to reduce costs. Since the price of raw materials is determined by the global market and more or less the same everywhere, one way businesses reduce costs is by shifting production to regions with lower wages.

Hey Textile has followed this business practice as well. The company's headquarters in Istanbul initially offered many advantages. But the cost of production in Istanbul continued to increase. Massive migration into the city also raised rents and Istanbul's higher cost of living also added to labor costs. As a result, Ms. Bektaş began looking elsewhere in Turkey. In 2004, the Turkish government also launched initiatives to develop impoverished regions. Through the 'Employment Encouragement in the Underdeveloped Regions' law (No. 5084), the Turkish government created incentives to spark development in impoverished regions. The law provided Ms. Bektaş with a significant opportunity to expand her operations in Turkey.

For her first expansion project, Ms. Bektaş selected her hometown Çerkeş in the Çankırı province. Ms. Bektaş chose to invest in her home province to help improve its economic and social conditions. Hey Textile's new Çerkeş plant opened for operation in 2004. The new facility ramped up quickly and within a year earned an annual profit of US\$ 75 million and employed 400 people.

Inspired by her success in Çerkeş, Ms. Bektaş then expanded Hey Textile operations to other Anatolian provinces that also benefited from the Turkish government's 'Employment Encouragement in the Underdeveloped Regions' act. For Hey Textile's second production facility, Ms. Bektaş chose her husband's hometown, Hacibektaş in Nevşehir province. Completed in 2006, the facility was followed by two additional investments in 2008, one in the Tosya district of Kastamonu province and another in Batman province.¹⁹

With the exception of the Batman operation, Hey Textile directly financed these investments. For the Batman investment, Ms. Bektaş partnered with a local investor, since she was unfamiliar with the province and the facility is some distance from the company's headquarters in Istanbul.

For its regional facilities, Hey Textile hires local workers while continuing to make all strategic decisions from the Istanbul headquarters. Since many of the local workers have agricultural backgrounds, Hey Textile sends staff from Istanbul to help with the workforce training. The company paid the cost of workforce training until 2008, when Turkey's State Employment Agency began funding training to mitigate the effects of an economic downturn. Under this program, the state agency finances training costs and pays the salaries of potential workers during the training period as long as the company agrees to hire 50 percent of the trainees. Hey Textile has participated in this program since mid-2009.

¹⁹ See the map of Turkey (Figure 1 in the annex) for the location of the districts.



In sum, Ms. Bektaş' business model has been greatly influenced by the opportunity to make a positive socio-economic contribution to impoverished regions of Turkey—an opportunity that also boosts her company's competitiveness.

"Giving money to the workers at the Çerkeş plant is like giving allowance to [my] kids," Ms. Bektaş said.

Constraints and Solution Strategies

In moving production facilities to Central Anatolia, Hey Textile faced a major hurdle—the lack of industrial skills by regional workers. Essentially, the company had to retrain farmers to be factory workers. To resolve this issue, Hey Textile assigned experienced managers from Istanbul to the new plants to assist with workforce training.

Hey Textile has also strategically allocated production work based on skill-level. In Çerkeş and Hacıbektaş, workers primarily sew basic models, for example, leaving the more complicated work for the Istanbul facility.

Hey Textile's clients also expressed concern about the environmental standards and working conditions of the Anatolian facilities. Many of the company's clients require humane working conditions, strong environmental standards and no child laborers. With these concerns in mind, Hey Textile stresses strict labor, safety and environmental standards in its operations.

*"We have a Human Rights department in our factory and we are involved in social responsibility projects," Ms. Bektaş said. "This brings us customers."*²⁰

In addition, both factory buildings and working conditions have been designed to meet legal requirements and internationally-accepted standards. Company working hours, daily breaks, and annual leave regulations are in compliance with national law. There have been no reports of discrimination, abuse or harassment. The company also has a worksite doctor and regularly monitors worker health and safety measures.

Although the environmental impact of the clothing industry is minimal,²¹ Hey Textile also ensures that its environmental footprint is limited. For example, production facilities have a water treatment system to clean waste water from washing machines. Hey Textile's compliance with social, health, safety and environmental requirements is certified by audit reports from the Business Social Compliance Initiative (BSCI). The reports also confirm that the company employs no unregistered workers or child labor.

Hey Textile reinforces these audit reports with organized demonstration tours of the Anatolian plants. Ms. Bektaş also regularly invites her customers to these production facilities to inspect the working conditions.

Another challenge for Hey Textile is its partnership with the Güneştekin Group at the Batman plant. According to Ms. Bektaş, the partner's construction industry background has created

²⁰ Interview with Aynur Bektaş (September 2009)

²¹ Unlike the textile industry, the use of chemicals in the clothing industry is limited. The only waste is leftover fabrics after the products are sewn. Generally, the material that arrives at the factory departs as the final product.



misperceptions and overly-optimistic expectations of the clothing industry. The partner, for example, expected initial profits to be similar to those in the construction sector. However, healthy profit margins in the clothing industry are usually not achieved until at least the third year of operation.²²

Strategic Relationships

Business relationships, particularly international partnerships, have been critical to Hey Textile's success. The company has built its reputation on being a production unit for established international brands and manufacturing a variety of clothes based on previously agreed upon models, quality and price. Additionally, Hey Textile customers expect the company to produce clothes in compliance with social and environmental standards.

Domestically, Hey Textile buys fabrics and other materials from suppliers and then creates finished products such as t-shirts, dresses and trousers. Local suppliers also provide shuttle services for workers and food for the company cafeteria.

The Turkish government has been a crucial partner. The government provided a major boost for Hey Textile's Anatolia operations through its 'Employment Encouragement in the Underdeveloped Regions' incentive program. As part of that program, the government subsidized new facilities through tax and social insurance exemptions. Additionally, Turkey's State Employment Agency has financed the training of new workers since mid-2009.

Hey Textile's relations with other partners have been mutually beneficial. The clothing industry in Turkey chiefly uses domestic goods, which creates a positive ripple effect on the Turkish economy.

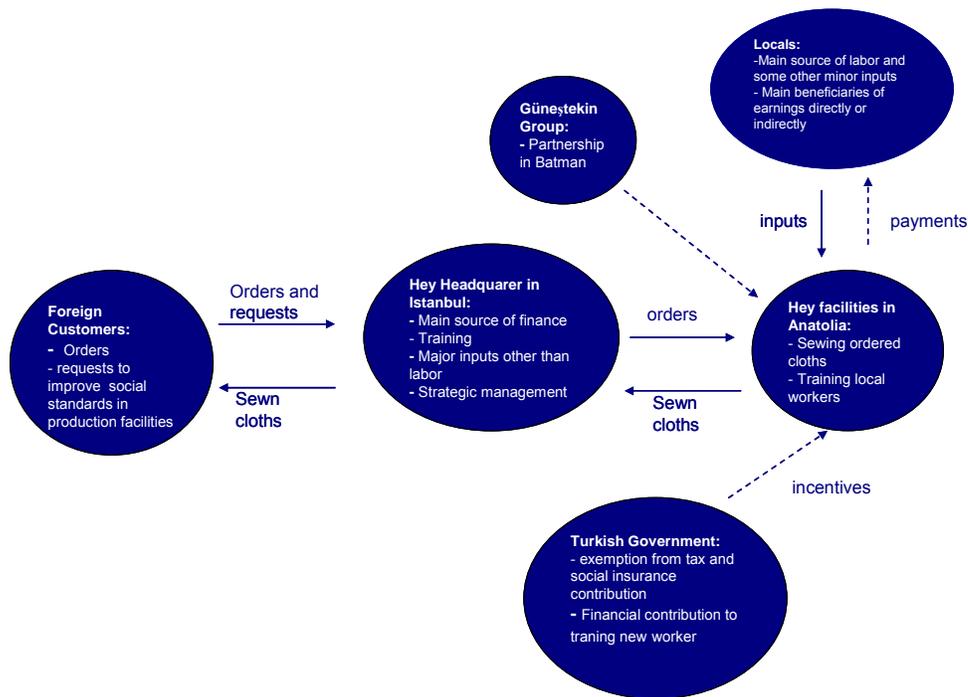
As one of the largest companies in this sector, Hey Textile significantly contributes to this process. The economic impact of Hey Textile facilities in Anatolia are wide-spread, particularly its contribution to regional employment. Income from local workers also benefits local businesses through increased ability to purchase goods. Employment and capacity building have stimulated economic activity in these districts. In addition to salaries, workers benefit from safe and healthy working conditions—conditions that are better than in many other similar businesses.

Furthermore, Hey Textile has finalised a long term strategic cooperation agreement with Espirit. According to the agreement, Hey Textile will produce the entire knitted products of Espirit's range in Turkey.

²² Interview with Aynur Bektaş (September 2009)



Figure 2: Hey Textiles and its relationships



Source: Author

Results

Largely because of cost reductions, Hey Textile's profits have increased by 10 percent, even as a global recession and stiff competition from China have hit the Turkish clothing industry (which has suffered a 30 percent decline in profits).

Hey Textile has primarily reduced costs by expanding to Anatolia, which has lower labor costs and a lower cost of living. Wages in Anatolia, for example, are about US\$ 350 a month in comparison to US\$ 500 in Istanbul. Turkish government incentives have reduced costs, particularly through the government's worker training programs. Additionally, the cost of such services as worker transportation and food for company cafeterias are below Istanbul levels.

Ms. Bektaş' initiatives in the Anatolian provinces have attracted attention and established her as a role model. She has received the following awards for her contribution to the social and economic development of Anatolia: Women Entrepreneur of the Year, National Productivity Center (2006); Women Entrepreneur of the Year, Economist Magazine (2007); Entrepreneurship Congress Special Award, Bursa Chamber of Commerce and Industry (2008); Schwab Foundation Award Winner for Social Entrepreneurship (2008); Distinguished Service Award for her investments in Anatolia, Grand National Assembly (2010).



REGIONAL RESULTS

Although the Çerkeş, Hacibektaş, Tosya and Batman facilities are in very different geographical regions of Turkey,²³ each of these cities are located in some of Turkey's poorest provinces (with Çerkeş province is on place 59th in the socioeconomic development ranking of Turkey's regions, Hacibektaş on 34th, Tosya's on 51st and Batman's 70th, respectively).²⁴

Hey Textile has worked to change this regional poverty through its four Anatolian production units. The facilities have created jobs for approximately 1,000 locals. “*Youngsters are not lingering in coffee houses anymore,*” one business man said of the added value of the jobs.²⁵ The company hired 400 workers in Çerkeş and 350 in Hacibektaş. Given that the population of Çerkeş is 8,755 and the population of Hacibektaş is 5,055,²⁶ such employment has had a large impact on these communities.

Although the wages earned by the workers in these districts are lower than those of the employees in the Istanbul plant, the cost of living in these locations is also well below that of Istanbul. Therefore the minimum wage, which is difficult to survive on in Istanbul, has significant purchasing power elsewhere in Turkey.²⁷ Additionally, overtime work is a common practice both at Hey Textile and in the industry. Workers earn 50 percent above their regular hourly rate when they work overtime, so, workers usually earn above the minimum wage when overtime work payments are included. In addition to salaries, Hey Textile provides workers with additional benefits (which are not required by law) including free lunch and shuttle service to and from the factory.

Equally important, all workers are registered and their social security premiums are fully paid by Hey Textile (an uncommon practice in the clothing industry and in the region). With such practices in mind, one interviewed worker²⁸ compared Hey Textile to the government because the benefits are similar to those of civil servants.²⁹

While some workers invest their earnings in physical capital, others invest in human capital, usually their children. This is particularly common in families with two incomes. “*After I started to work [at Hey Textile], I spent all of my earnings on my kids,*” one sewing worker said.³⁰ “*I sent them to private learning centers. As a result now my daughter is going to a good school.*”

Since all raw materials for factory production come from Istanbul, Hey Textile's direct support of local suppliers is limited to foodstuffs used in factory cafeterias. However, income generated by employment at the factory has helped the local economy flourish. Assuming that

²³ Compare map of Turkey in the annex.

²⁴ Dinçer Bülent, Metin Öztaşlan and Taner Kavasoglu, *İllerin ve Bölgelerin Sosyoekonomik Gelişmişlik Sıralaması Araştırması* [Socio-economic development ranking of regions and provinces in Turkey], DPT Publications, Ankara, 2003.

²⁵ Interview with Murat Türkgüzeli

²⁶ According to 2008 census of Turkish Statistical Institute

²⁷ For example, rent of an apartment is about 250 TL in Hacibektaş, which is about half of the minimum wage. Rent of a similar apartment in Istanbul is about two times higher than one in Hacibektaş.

²⁸ Interview with Süreyya Avşar

²⁹ In Turkey, like in many other countries, working for the government is always considered a privilege because of job security and for its pecuniary and non-pecuniary benefits, especially for low-skilled workers.

³⁰ Interview with Süreyya Avşar



each worker only earns the minimum wage of about 530 TL (US\$ 350), workers contribute about 185,000 TL (US\$ 120,000) to local economies each month.

In Hacibektaş, for example, the main economic activity is farming and domestic tourism. (Many Turkish Alevis visit the area's Shia-Alevi holy sites in the summer months.) As a result, Hacibektaş' economy had been highly seasonal. After the opening of the Hey Textile facility, however, economic activity now takes place throughout the year. The number of rental and installment purchases has increased as well, and salaried workers can make regular payments. As an added sign of the communities' economic progress, merchants often no longer ask for credit cards or other collateral when renting or selling items on installment.³¹

As is the case throughout Turkey, unemployment has hit youth the hardest,³² and in the past the limited opportunities led to migration and crime. Such migration has now stopped or reversed, which local officials attribute in part to the opening of the Hey Textile factories. One college-educated employee, whose family returned to Hacibektaş from İzmir, said the job opportunities provided by Hey Textile persuaded him to return with his family.³³

RESULTS FOR WOMEN

Economic participation is considered a major indicator of women's status in society (along with education and religion). Income increases women's quality of life and provides them with greater socio-economic independence.

Similarly, Hey Textile's investments in Anatolia have improved the socio-economic prospects of local women. Female employees have actually benefited more than men. Roughly two-thirds of the workers in the Hacibektaş plant, and half of the workers in the Çerkeş facility, are women. The Hacibektaş factory employs roughly 200 women and the Çerkeş facility about 300 women.

*"I do not have to beg my husband for money," one worker said in an interview with a German TV channel. "I can buy things for myself and the kids. It boosts my esteem. It is a good feeling."*³⁴

In another interview, a furniture and electrical appliances dealer in Hacibektaş said: *"[Before the opening of the factory] young girls came to us with their fathers to buy their trousseaus. They had no say about what to buy. Now, they are still coming with their fathers, but they decide what to buy."*³⁵

In another example of the independence created by income and employment, cleaning worker Fatma Şen returned home with her children after a divorce. Her ex-husband did not pay alimony, so Ms. Sen took a job at Hey Textile. The job has enabled her to support herself and send her children to school. The job also allowed her to rent her own apartment.³⁶

³¹ Interview with Evren Karabacak

³² Unemployment is close to 20 percent at the national level.

³³ Interview with Esat Karabacak

³⁴ Global 3000, Globalization program on TV, Deutsche Welle, Germany, June 1, 2009

³⁵ Interview with Evren Karabacak

³⁶ Interview with Fatma Şen.



In another sign of changing gender roles, Ms. Bektaş said some men in Batman now stay home and take care of children when their wives are hired by Hey Textile –a revolutionary change in gender roles for a very traditional region and culture.

Economic activity has occurred near the factories, as well, and local women are helping shape its development. For example, the local government in Hacıbektaş received a grant from the EU to promote female entrepreneurship in the region. Ms. Bektaş then encouraged a local woman to apply for a grant to open a business making and selling sweets to workers. Hey Textile then provided the woman with a free room in the HacıBektaş factory to sell her products. The business has since flourished.

Ms. Bektaş has also supported the economic and social well-being of women through social activities. During her presidency of the Turkish Clothing Manufacturers' Association, Ms. Bektaş successfully lobbied for an amendment to a law regulating freelance work. Previously, women working from home were not registered with the local tax office and therefore were unable to create invoices for their services. In order to find work with the larger, formal firms that require an invoice, female entrepreneurs had to work through intermediaries. The intermediaries created invoices in exchange for a large cut of the employee's wages. Through her efforts, Ms. Bektaş' changed the law so clothing companies could do business directly with women working from home, allowing them to receive the full portion of their wages.

SOCIAL RESULTS

In the small, conservative districts of Anatolia, young men and women traditionally have had limited social interaction. As a part of that tradition, marriages are usually arranged by parents. The factories, however, are now creating a more social environment where young men and women interact regularly. Some co-workers also marry.³⁷

The factories' social environment not only brings together different sexes but also people from different faiths. The majority of Turkish citizens belong to the Sunni sect of Islam, with a minority belonging to the Alevi sect, a liberal interpretation of Shia Islam. These two groups have lived together in Anatolia for hundreds of years, mostly in peace, but there have been instances of bloody conflict and prejudice too.³⁸

Ms. Bektaş and her husband, however, provide a ready example of the harmony that can exist among these different sects. Mr. Bektaş is an Alevi, while Ms. Bektaş is from a Sunni family. In the Bektaş family, religious matters are solved in a democratic way, with each person living according to his or her own belief. Hey Textile provides a similar tolerant, democratic environment, enabling young workers from different sects to work together without prejudice. In the Hacıbektaş region, for instance, the vast majority of individuals are Alevi but workers coming from the other districts are mostly Sunni. So far, there has been only one reported disagreement, one which was solved quickly through arbitration.

³⁷ Interview with factory manager Köksal Kırbyık. Mr Kırbyık said that it is a common practice in this industry. He also met his wife in Istanbul headquarter of Hey Textile.

³⁸ For instance, on July 2, 1993 33 Alevi intellectuals, who had gathered for a cultural festival in Sivas, Turkey, were killed when a mob of radical Islamists set fire to the hotel where the group had assembled.



In addition to the interaction among workers from different backgrounds, personal appearance has also reportedly become more important due to the socially dynamic environment. According to Ms. Bektaş, the community's first-ever hair salon opened in 2004, the year she established her factory plant in Çerkeş. Today, there are three hair salons, the fact that demonstrates the ripple effect of the Hey Textile on local businesses.

Conclusion and Looking Ahead

Ms. Bektaş is an entrepreneur and true trail blazer. Rather than copying the practices of others and investing in big cities, she chose the small districts of Anatolia. After bringing the developmental benefits of private industry to under-developed parts of Turkey, she is now preparing for her next project, establishing production units that will hire disabled workers.

She has many other business projects as well. Her ultimate aim, though, is to establish a foundation and to transfer Hey Textile's obligations. She will leave the other businesses to her sons and then devote herself to social projects.

Ms. Bektaş has approached each of her investments cautiously, and quickly turned risk into opportunity and successful business enterprises. Along the way, she has reduced costs and maintained the company's global competitiveness. These investments have benefitted not only Ms. Bektaş and her company, but also local communities. In impoverished Central Anatolia, Hey Textile created new employment opportunities and spurred positive economic and social change, especially for women.

Ms. Bektaş also shared her experiences and lessons learned with business practitioners, politicians and government officials.

Ms. Bektaş believes that if other businesses follow her lead and redirect their investments to poorer regions, both the companies and the regions will benefit. As part of that approach, Ms. Bektaş advocates for investment that improves regional socio-economic conditions and the quality of life for employees. Her approach includes positive working conditions and high environmental standards.

Ms. Bektaş believes government plays a significant role in changing business investment patterns through incentive programs and risk sharing. For Hey Textile, subsidies provided through the 'Employment Encouragement in the Underdeveloped Regions' law greatly influenced Ms. Bektaş' decision to investment in impoverished Anatolia. Her approach provides a ready model for replication elsewhere.

"I want to be a role model," Ms. Bektaş said "I am the first women who invested in Anatolia. My success encouraged others as it makes them think: 'If she did it, I also can'. I believe our model is considered as an example by the others."



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Annexes

Annex 1. Selected socio-economic indicators by geographical regions in Turkey, year 2000

Region	GDP per capita (billion TL)	Percentage share in GDP	Literacy rate (percent)	Infant mortality rate (percent)	Urbanization rate (percent)	Per capita electric consumption (Mwh)	Share in total bank deposits (percent)
Marmara	2657	37.0	92.4	3.9	79.1	2.2	52.3
Aegean	2130	15.3	89.8	4.0	61.5	1.8	9.9
Central	1820	17.0	90.3	4.2	69.3	1.1	24.6
Mediterranean	1726	12.1	88.2	3.7	59.8	1.5	6.5
Black Sea	1396	9.5	85.8	4.2	49.0	1.0	4.2
Southeastern	954	5.1	73.2	4.8	62.7	0.9	1.2
Eastern	841	4.1	77.7	5.3	53.0	0.6	1.3

Source: Dincer et.al. (2003)

Annex 2. Selected gender related indicators of Turkey

Economic activity rate (female rate as percent of male rate, aged 15 and older) in 2005	36
Ratio of estimated female to male earned income	0.35
Adult literacy rate (ratio of female rate to male rate), 2005	0.84
Combined gross enrollment ratio for primary, secondary and tertiary education, female (percent), 2005	64
Combined gross enrollment ratio for primary, secondary and tertiary education, male (percent), 2005	73
Seats in parliament (percent held by women)	4.4



Legislators, senior officials and managers (percent female) 1999-2005	7
Professional and technical workers (percent female), 1994-2005	32

Source: United Nations Development Program, Human development Report 2007/2008³⁹

Annex 3. Clothing Industry in Turkish Economy

Share in total manufacturing industry added value (percent) (2004)	7.79
Share in total manufacturing industry output (percent) (2006)	4.05
Share in total manufacturing industry employment (percent) (2006)	12.94
Share in total manufacturing industry import (percent) (2007)	1.01
Share in total manufacturing industry export (percent) (2007)	11.68

Source: Dogruel and Dogruel, p.141

³⁹ United Nations Development Program, Human development Report 2007/2008. Fighting climate change: Human solidarity in a divided world, New York UNDP, 2007. World Bank, Country Brief (2009): Turkey, available at Country Brief, <http://www.worldbank.org.tr/WBSITE/EXTERNAL/COUNTRIES/ECAEXT/TURKEYEXTN/0..contentMDK:20630704~menuPK:361720~pagePK:141137~piPK:141127~theSitePK:361712,00.html#key>



Annex 4. Map of Turkey



Source: CIA – The World Factbook⁴⁰

⁴⁰ https://www.cia.gov/library/publications/the-world-factbook/maps/maptemplate_tu.html. Retrieved on 26th November, 2010.



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The information presented in this case study has been made available to the company in subject to ensure its accuracy and is accurate to the best of the author's knowledge. The views expressed in the case study are the ones of the author and do not necessarily reflect those of the UN, UNDP or their Member States.

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